### 1. Project Data:

<table>
<thead>
<tr>
<th>PROJ ID</th>
<th>P059936</th>
<th>Appraisal</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Name</strong></td>
<td>Northern Mountains Poverty Reduction Project</td>
<td>132.5</td>
<td>154.6</td>
</tr>
<tr>
<td><strong>Country</strong></td>
<td>Vietnam</td>
<td>Loan/Credit (US$M):</td>
<td>110.0</td>
</tr>
<tr>
<td><strong>Sector Board</strong></td>
<td>ARD</td>
<td>Cofinancing (US$M):</td>
<td>10.5</td>
</tr>
</tbody>
</table>

| **Sector(s):** | General agriculture fishing and forestry sector (40%) | Roads and highways (30%) |
|               | Health (10%) | Sub-national government administration (10%) |
|               | General education sector (10%) | |

| **Theme(s):** | Rural policies and institutions (20% - P) |
|              | Other social protection and risk management (20% - P) |
|              | Participation and civic engagement (20% - P) |
|              | Rural services and infrastructure (20% - P) |
|              | Indigenous peoples (20% - P) |

| **L/C Number** | C3572 |
| **Board Approval Date** | 10/25/2001 |
| **Partners involved** | UK Department for International Development |
| **Closing Date** | 12/31/2007 |

### 2. Project Objectives and Components:

**a. Objectives:**

"The project's development objective is that poor villagers in the northern mountains use a variety of improved and sustainable infrastructure and social services, and the institutional capacity of upland communes and districts is increased" (PAD, p. 2).

**b. Were the project objectives/key associated outcome targets revised during implementation?**
c. Components (or Key Conditions in the case of DPLs, as appropriate):

1. Rural Roads and Markets (Expected cost, US$34.0 million; Actual cost, US$50.3 million). Includes construction and upgrading of rural roads, bridges and markets.

2. Irrigation, Water Supply and Agriculture (Expected cost, US$ 36.0 million; Actual cost, US$41.9 million). Includes construction and upgrading of small-scale irrigation schemes and domestic water supply systems; plus on-farm research and extension.


4. Commune Development Budgets (Expected cost, US$17.0 million; Actual cost, US$19.7 million). Includes financing of small-scale sub-projects identified and implemented by communities.

5. Institutional Capacity Building (Expected cost, US$10.5 million; Actual cost, US$7.5 million). Includes training of personnel at village, commune, district and province level.


d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:
Component (5) was grant-financed by the United Kingdom's Department for International Development.

3. Relevance of Objectives & Design:

Objectives. At appraisal this was designated as a targeted intervention. In common with other community-driven development (CDD) projects, targeting was area rather than household specific. The project (NMPPR) was initially aimed at 368 of the poorest communes in the country. The focus on poverty reduction and decentralized rural development is consistent with government priorities and with the current Country Assistance Strategy. Most of Vietnam's poorest communes are located in remote mountainous areas of the type served by the project. The demand-driven nature of the investments, and the participatory methodology, helped to ensure the relevance of the intervention to the needs of people in the project area.

Design. The PAD contains a detailed discussion of the rationale for the project design. It acknowledges that the many components and multi-sector nature of the project add up to a complex design that may stretch the capacity of the communes, these being the focus of project implementation. On the other hand, the PAD argues that previous projects had shown that there is a strong potential for local level participatory planning. This is backed up by the government's Grassroots Democracy legislation which champions the participatory approach. The option to make the village rather than the commune the focal point was rejected because the latter is the lowest formal administrative unit with sufficient organizational and technical capacity. By strengthening local government capacity the project avoided creating an administrative infrastructure parallel to local government, thereby helping to ensure sustainability. The selection of project communes drew on two government lists of the poorest communes, one focusing on the ethnic share of the population, the other on percentage of population falling beneath the Government's poverty line of 15 kg of rice per month. Investment selection criteria favored the poorest and most remote villages within each commune. The project used information campaigns (e.g. videos in the four main ethnic languages and poster displays) to raise public awareness, thereby helping to encourage participation and oversight ('social auditing') of the selection and implementation of investments, and giving the poorest villages a voice. The commune development budget component gives decision-making responsibility for small sub-projects to villages. However, the PAD acknowledges that the project design will not necessarily target the poorest of the poor; and that the project is not intended to provide a safety net to the most vulnerable households.

The overall rating of relevance is substantial.

4. Achievement of Objectives (Efficacy):

The project development objective is decomposed as follows:

(1) Give poor villagers access to improved infrastructure, social services and agricultural livelihoods. (Rating: Substantial). Targets were not set until mid-term review, two years after the Credit became effective. With respect to infrastructure, the length of district to commune roads constructed was 30 percent of target, compared to 73 percent for commune to village roads; travel time per market visit was 104 minutes (119 percent of target); 32,197 households gained access to clean water (85 percent of target); and 18,925 hectares of land was newly irrigated.
the draft report concluded that the livelihoods of households in project communes had improved (ICR, p. 12); but the increase was attributable to the project. An impact evaluation was launched three months before project closing and the beneficiaries are classified as poor households. Once again, it is not possible from the ICR to say how much of this household in the project area rose by 147 percent in relation to the retrofitted baseline; 84 percent of project

extension was enhanced: 3,481 applied agricultural demonstrations were completed with 86,000 households participating (respectively 74 percent and 119 percent of the targets). The net effect was to substantially strengthen the institutional framework for decentralized, participatory rural development. However, the June 2008 impact evaluation report (p. 10) that community participation needs further strengthening: there is still room for improving the information flow and increasing the use of voting to democratically determine investment preferences.

6. Outcome:

Based on substantial relevance, substantial efficacy and substantial efficiency, outcome is rated satisfactory.

a. Outcome Rating: Satisfactory

7. Rationale for Risk to Development Outcome Rating:

Initially, maintenance of the works funded by the operation was not assured. The ICR acknowledges this to be the biggest shortcoming of the NMPRP; but it is a systemic problem, common to many Vietnam projects, one that cannot be solved at the project level. The poor communes covered by NMPRP do not have the tax base to cover maintenance costs, making them dependent on transfers from central government. The Ministry of Planning and Investment (the counterpart agency for this project) did not have a budget line for maintenance (which falls under the recurrent budget approved by the Ministry of Finance). The June 2008 impact evaluation report says that rural road
works face the biggest sustainability challenge. But this risk is now being mitigated. The Bank is party to a multi-donor budget support operation (P135-2), approved in March 2007, that includes a provision for earmarking funds for maintenance. Thus, follow-up policy based lending is helping to make project investments more sustainable. Through their influence on the design of the high-profile P135-2 the lessons learned from the NMPRP—including good practices for capacity building, the importance of public information campaigns, the desirability of competitive procurement, and the requirements for sound M&E—have and will help to lower the risk to the development outcome of other interventions.

8. Assessment of Bank Performance:

Quality at entry. There is a detailed discussion in the PAD of alternative design options and lessons learned from other community development operations. With the benefit of hindsight, the complex, multi-sector nature of the operation was justified; without the "full package" of interventions, there would not have been the critical mass needed to bolster planning and investment oversight by the communes—capabilities previously left to higher-level (district) authorities. The ICR notes that "some design aspects such as technical assistance, decentralized funds flow arrangements and clear procurement procedures" should have been in place before Credit effectiveness (p. 19). Also, no targets for the Project Development Objectives were set at appraisal (p. 5). Targets were established and the 'baseline' survey conducted in 2004, two years after the effectiveness date.

Supervision. Implementation progress was rated unsatisfactory before mid-2004 because of the complex management responsibilities, complicated procurement procedures and weak institutional capacity. This was perhaps to be expected because decentralization was new to Vietnam. The mid-term review (April 2004) set the project on a smoother implementation path, sorting out the procurement and other issues that had slowed progress earlier. (Procurement and prior approval was devolved from the central to the provincial level.) The project approach was piloted in two communes per province and then scaled up. In the meeting with IEG, the project team acknowledged that they could have applied ex-post cost benefit analysis to a sample of the investments funded by the project, incorporating this into the supervision process. But, overall, supervision was thorough and effective and played a key role in facilitating decentralization.

a. Ensuring Quality at-Entry: Moderately Satisfactory

b. Quality of Supervision: Satisfactory

c. Overall Bank Performance: Satisfactory

9. Assessment of Borrower Performance:

The Ministry of Planning and Investment (the Borrower counterpart agency) cooperated fully in the design of the operation and demonstrated strong ownership and leadership throughout the project cycle. Counterpart funding was adequate and timely. Government ensured adequate staffing of, and support to, the project management units located at center, province and district level. This was the first Vietnam operation with decentralized project management units. The staff showed strong commitment and dedication to project objectives, keeping sight of the poverty focus. An innovative aspect entailed distributing free disposable cameras, inviting villagers to participate in district-level, photo-based competitions to identify the best infrastructure development stories, thus raising awareness of what the project could offer.

a. Government Performance: Satisfactory

b. Implementing Agency Performance: Satisfactory

c. Overall Borrower Performance: Satisfactory

10. M&E Design, Implementation, & Utilization:

Design. Insufficient attention was given to M&E during project preparation. The ICR notes (p. 7) that: (a) there is a confusion between output and outcome indicators; (b) no targets for the Project Development Objective indicators were set at appraisal; (c) the baseline survey was not implemented until late 2004; and (d) the Management Information System was initially too complex (and not finalized before 2004). But the initial flaws in M&E design were
largely corrected by project end, thanks chiefly to the US$ 4 million grant from DFID which was used to strengthen capacity at province, district and commune level.

Implementation. After the early shortcomings were rectified, there was a major M&E effort, which included regular, timely progress reports prepared by the provincial project management units and passed up to the central unit. Independent studies, contracted out to consulting firms, tracked "process" and "progress" monitoring indicators. However, the supervision process did not include ex-post cost benefit analysis of a sample of project investments. An impact evaluation was launched at the end of the project and interim results were included in the ICR. The baseline survey for the impact evaluation was retrofitted at mid-term review in 2004, two years after effectiveness. Data sets were produced for 2002, 2004 and 2006.

Utilization. There was a good flow of M&E information between the various levels, facilitating mid-course corrections in project approach. The system that was finally set up helped to persuade government of the merit of outcome-centered M&E (previously it had just counted inputs and outputs). The district-level photo-story competition added a further dimension to M&E by inviting locals to record infrastructure investments in their villages, highlighting strengths and weaknesses in the technical design and process. The project team shared the final report from the impact evaluation (dated June 2008) with IEG. It will be difficult to draw conclusions from the impact evaluation about how much the improvement in livelihoods can be attributed to the project because it is difficult to control for the effects of other projects and programs. The project design did not allow for a phased comparison of beneficiaries (early recipients compared to late recipients of investments).

a. M&E Quality Rating: Substantial

11. Other Issues (Safeguards, Fiduciary, Unintended Positive and Negative Impacts):

The following safeguards were relevant to the project: Indigenous Peoples (OD 4.20); Involuntary Resettlement; Environment (OP 4.01). All were satisfactorily complied with. For example, project preparation included a socioeconomic study on indigenous people. Television and radio programs, videos and leaflets were translated into the main ethnic minority languages to improve outreach. Persons displaced by project works were adequately compensated. Negative environmental impacts were small and mitigation efforts were strengthened at mid-term review. Fiduciary concerns were satisfactorily identified and resolved through the supervision process. Audit reports were timely and of acceptable quality.

12. Ratings:

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<thead>
<tr>
<th></th>
<th>ICR</th>
<th>IEG Review</th>
<th>Reason for Disagreement /Comments</th>
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<tbody>
<tr>
<td><strong>Outcome:</strong></td>
<td>Satisfactory</td>
<td>Satisfactory</td>
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<tr>
<td><strong>Risk to Development Outcome:</strong></td>
<td>Moderate</td>
<td>Moderate</td>
<td></td>
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<tr>
<td><strong>Bank Performance:</strong></td>
<td>Satisfactory</td>
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<tr>
<td><strong>Borrower Performance:</strong></td>
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<tr>
<td><strong>Quality of ICR:</strong></td>
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NOTES:

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons:

Operations and maintenance. The biggest challenge for projects of this nature is to ensure funding for operation and maintenance (O&M) of infrastructure works. Local governments in poor areas need central government transfers for O&M to be adequately covered. Because this is a systemic issue it cannot be resolved within the terms of an investment project; complementary intervention through budget support operations (development
policy loans) is needed to ensure that government’s recurrent budget includes funds specifically earmarked for maintenance of roads and other public goods.

**Information flow.** In order to give the strongest possible voice to the poor, public information campaigns are essential. If information flow is limited the poor will not participate in the selection and implementation of investments and will not hold local authorities to account.

**Procurement.** Transparent and efficient procurement is an essential part of community development projects. In this project, local authorities were initially skeptical about the open, competitive approach to procurement but were won over once they saw that these procedures helped to defuse criticism and pressure from their constituents. For very small, labor intensive works at the village level, community participation in procurement helps build local capacity, creates employment and reduces costs.

14. **Assessment Recommended?** ● Yes ☐ No

**Why?** IEG’s 2005 study on community-driven development emphasized the need “to selectively undertake rigorous impact assessments” of this type of project, partly but not exclusively to gather more evidence on the extent of poverty reduction. This project sponsored surveys in 2002, 2004 and 2006 that may lend themselves to a follow-up enquiry.

15. **Comments on Quality of ICR:**

The ICR gives a concise and complete account of the project record, well supported by data on expected and actual achievements (Annex 2 is particularly thorough). It would have been good to include data comparing infrastructure costs for this and other projects in order to bolster statements about cost effectiveness.

**Quality of ICR Rating:** Satisfactory