Report Number: ICRR0021759

1. Project Data

Project ID P113493	**Project Name** VN-2nd Northern Mountains Poverty Redctn	
Country Vietnam	**Practice Area(Lead)** Agriculture and Food	
L/C/TF Number(s) IDA-46980,IDA-55960	**Closing Date (Original)** 30-Jun-2015	**Total Project Cost (USD)** 217,219,974.23
Bank Approval Date 06-Apr-2010	**Closing Date (Actual)** 30-Jun-2018	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	150,000,000.00	0.00
Revised Commitment	249,738,360.29	0.00
Actual	215,903,162.78	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

According to the legal agreement of 2010, the objective of the Second Northern Mountains Poverty Reduction Project was “to enhance the living standards of the project beneficiaries by improving: (i) their access to productive infrastructure, (ii) the productive and institutional capacities of local governments and communities, and (iii) market linkage and business innovations” (Legal Agreement V698-VN (2010), pg. 5). There were no variations between how the PDO was presented in the Project Appraisal Document and the legal agreement (PAD, para vii).

The project's objective was revised once during the life of the project. In 2015, the original objective added an outcome (see (iii) below). The amended legal agreement states that the project aimed "to enhance the living standards of the project beneficiaries by improving: (i) their access to productive infrastructure, (ii) the productive and institutional capacities of local governments and communities, (iii) commune integrated investment planning, and (iv) market linkage and business innovations" (Legal Agreement Amendment Credit Number 5595VN, 4698-VN (2015), pg. 6). Afterwards, the PDO remained unchanged until the project closure.

While the project received additional financing in 2015, a new outcome was added to the PDO at the same time, thereby increasing the scope of the project. Some PDO level indicators were also dropped and revised. The overall PDO as stated in the Legal Agreement and the PAD remained unchanged. As a result, there will not be a split evaluation for this project. The project will be assessed against the revised PDO.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

09-Jul-2015

c. Will a split evaluation be undertaken?

No

d. Components

Component 1: District Economic Development (Appraisal cost was estimated at US$57.0 million. It was later revised to US$91.0 million. At closing the cost was US$85.34 million). This component aimed at providing investment support to the District Socio-Economic Development Plans, which focused on productive and economic infrastructure for increased agriculture productivity, and direct local employment and income generation funds were supposed to explore market linkages for livelihood opportunities. The component also aimed at financing commune-level infrastructure and help provincial and district project team develop a clear understanding of pro-poor livelihoods. The component also aimed to support research and analytical studies to identify market opportunities, establish partnerships with banks, non-governmental organizations, and private sector, and provide "innovation grants" to promote innovative business ideas and uncover approaches for business linkages for the rural poor (PAD, para 21 and ICR, para 8).

Component 2: Commune Development Budget Component (Appraisal cost was estimated at US$40.0 million. It was later revised to US$114.78 million. At closing the cost was US$88.18 million). This component sought to finance small-scale public infrastructure subprojects at the village and communes level. The purpose of these subprojects was to provide infrastructure, livelihood support for the poor, develop the necessary skills, explore linkage with rural finance institutions and markets, and support women's social and economic development activities (PAD, pg 22 and ICR, para 9). During a restructuring, Component 2 also included the emphasis to enhance operation and maintenance of rehabilitated or newly constructed infrastructure (ICR, para. 16).

Component 3: Capacity Building (Appraisal cost was estimated at US$10.0 million. It was later revised to US$15.0 million. At closing the cost was US$11.75 million). This component aimed at increasing capacity at the central, provincial, district, commune, and village level. Training would include project management, and knowledge and capacity strengthening linked to livelihood opportunities. Training would also be provided at the commune and village level to support the implementation of grants. Employment related skill trainings were expected to be organized with the aim to enhance necessary skills for local employment, identify opportunities, and assessment of local labor force needs. Training in safeguarding assets of the community and household aimed at improving understanding and mitigating natural disaster risks (PAD, para. 23). During a restructuring, Component 3 also aimed to increase the emphasis on institutional development to contribute to the institutionalization of participatory local development planning through Socio-economic Development Plan (SEDP) in the government's national poverty reduction programs (ICR, para. 16).

Component 4: Project Management (Appraisal cost was estimated at US$16.0 million. It was later revised to US$25.06 million. At closing the cost was US$30.63 million. This accounts for approximately 14% of the total project cost). This component sought to ensure effective and efficient project management by facilitating coordination communication, information sharing, M&E, and financial management (PAD, para. 24).

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost. At appraisal, the total cost of the project was estimated at US$165.0 million, of which US$150.0 million would be allocated by the World Bank and US$15.0 million from the borrower (PAD, pg. vi). At closing, the total project cost was US$215.90 million (ICR, pg. 41).

Financing. A total of US$249.7 million was financed through two different legal agreements. A total of SDR 96.6 million were provided through the IDA-4698 in 2010. An additional SDR 71 million were provided through the IDA-5596 in 2015 (Financial Agreement, IDA-5598, IDA-4698).

The actual disbursement at the end of the project was US$215,903,163 (ICR, pg. 2).

Borrower Contribution. The PAD states that the Borrower agreed to contribute towards the project a total of US$15 million (PAD, pg. vi). This amount was later revised to US$25 million (ICR, pg. 2). At the end of the project, the Borrower contributed US$ 24,721,000 (ICR, pg. 2).

Dates. The project was approved on April 06, 2010 and became effective on August 23, 2010. It underwent a midterm review on January 07, 2013.

The project underwent two restructurings and one additional financing.

In the restructuring of January 28th, 2014, the project reallocated funds in different disbursement categories, changed disbursement arrangements, and made changes in procurement. The restructuring also changed the results framework, including one of the two original PDO indicators and introduced six more indicators at the intermediate outcome level (ICR, para. 13). The original PDO indicator was changed from “Project beneficiaries report an improvement of on- and off farm income of at least 10%” to “Project beneficiaries report an improvement of income per capita at least by 10%.” (ICR, para. 13).

In June 19th, 2015, loan closing dates were approved from June 30th 2015 to August 31st 2015 to allow for the signing of the Project’s Additional Financing (ICR, para. 14).

In the restructuring of July 9th 2015, the project received additional financing and the results framework was changed. The original PDO was enhanced (by adding a 4th main Outcome (increase commune integrated investment planning) during this additional financing and there were further changes to indicators (ICR, para. 15). The project end date was extended to June 30th, 2018.
The original closing of the project was June 30, 2015, but at the second restructuring on July 9th, 2015, the project was extended 3 years and closed on June 30, 2018 (ICR, pg. 2).

3. Relevance of Objectives

Rationale

At appraisal, Vietnam’s economic growth had led to an impressive but uneven poverty reduction. While national levels of poverty had declined, progress in rural areas and among ethnic minorities was uneven. For example, the Northwestern Mountain Region had the highest poverty incidence, at 43% compared with the national average for rural areas of 18% (PAD, para. 1). Moreover, ethnic minorities lacked access to roads and experienced poor transportation which impeded their access to education, healthcare, and services. While ethnic minorities had access to agricultural land, they had limited market access.

Previous Sector Experience: Prior to this project, the Bank had provided support to the Government of Vietnam for poverty alleviation efforts at the commune level. In particular, the Bank supported two community driven development projects: Frist Northern Mountains Poverty Reduction Project (NMPRP-1) and the Community Based Rural Infrastructure Development Project (CBRIP) (PAD, para. 8). In addition, the World Bank was supporting poverty reduction programs from 2006 to 2010 through three development policy loans (DPL) (PAD, para. 10).

Alignment with World Bank Assistance Strategy: The project’s objective and subsequent outcomes were aligned with the Country Partnership Strategies (CP FY2007-2011 and CPS FY 2012-16). Both CPSs focused on poverty reduction with a focus on ethnic minorities (CPS FY2007-11 Outcome 2.2, pg. 127, and CPS FY 2012-16, Outcome 3.2, para. 72) and improving access to infrastructure in rural areas (CPS FY2007-11: Outcome 2.1, pg. 124 and CPS FY2012-16, Outcome 3.2, para 73).
The project’s objective remained relevant in the new Country Partnership Framework (FY2018-20). In particular, the project contributed to CPF’s Focus Area 1 - enable inclusive growth and privatization and objective 2, promote private sector and agri-business development (CPF 2018-2020 pg. 23). The CPF also sought to address and broaden economic participation of ethnic minorities, women and vulnerable groups (CPF FY2018-20, Focus Area 1, Objective 5, pg. 23).

Alignment with Development Goals: The project's objective contributed towards poverty alleviation and the eradication of hunger by investing in productive infrastructure and supporting the engagement of poor in agricultural and off-farm activities. The project also focused on key poor districts and communes.

Alignment with Government Development Strategy: The government of Vietnam was committed to implementing pro-poor initiatives, such as Program 135 and 135-2, as well as the National Targeted Program for Sustainable Poverty Reduction (NTP-SPR) (ICR, para. 24). While these programs took place before appraisal, the ICR did not include information about the Government of Vietnam's current policy towards poverty alleviation.

Overall, the project's objective was relevant given the context. There was also strong alignment with the World Bank's Development Goal and Assistance Strategy. While the project's objective likely contributed to the government development strategy, the ICR did not include evidence of recent strategies. As a result, the relevance of the objectives is rated as substantial.

Rating

Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

to enhance the living standards of the project beneficiaries by improving: (i) their access to productive infrastructure, (ii) the productive and institutional capacities of local governments and communities, (iii) commune integrated investment planning, and (iv) market linkage and business innovations.

Rationale

The project aimed to enhance the living standard of the project beneficiaries by improving four interconnected outcomes, including (i) access to productive infrastructure, (ii) the productive and institutional capacities of local governments and communities, (iii) commune integrated investment planning, and (iv) market linkage and business innovations.

The theory of change assumes that ethnic minorities will improve their standards of living through better access to services via improved infrastructure (roads, bridges, etc). The project aimed at not only building the necessary infrastructure but also building the capacity for operations and management. However, there are limitations to this assumption as there are likely other systemic factors that also affect ethnic minorities' standards of living. By increasing the capacity of local government, the project aimed to improve efficiency in planning and service delivery at the local level. The theory of change assumes that lack of capacity is affecting the type of programs that local government can deliver. While this is true, there may be other contributing factors such as government funding and commitment to decentralization. The project also aimed at improving market linkages, particularly related to agriculture and fund business innovations.

While the theory of change touches on a range of important topics, the logical framework fails to adequately link activities to the outcomes. For example, while strengthening local commune and government capacity is a worthwhile goal, there were not sufficient activities to improve efficiency and planning. Improving living standards was also not well defined in the logframe. Indicators to measure the objective were related to beneficiary satisfaction and beneficiary per capita income. The beneficiary satisfaction indicator was correctly dropped during the June 2015 restructure. A new indicator on sustained increased livelihood production assets was added. Other indicators that could have helped to measure standard of living may have been related to the level of well-being, level of expenditure, use and access to goods and services, etc. While the ICR addressed this issue by using proxy data, the indicators in the logframe were unable to capture key results of the project. For example, indicators to measure outcomes, such as improved capacity were non-existing.

Overall Objective (PDO) -To enhance the living standards of the project beneficiaries:

Overall the project contributed to a 16% increase in per capita income of beneficiary households than that of households in a control group (Target met, Target: 15%, ICR, para 32). A 2018 Evaluation of the Infrastructure showed that 67% of households interviewed reported higher incomes due to higher rice yields on the original farm area due to improved irrigation works. The increase in rice yields was up 27% compared to before the project (ICR, para 32). While 16,000 ha of land benefited from improved irrigation schemes (ICR, para 32), there may have been other factors that led to the improvement of per capita income and rice yields, such as level of fertilizer and amount of labor. In addition, Vietnam experienced a drought just prior to the project start that affected rice yields. Therefore the 27% increase in rice yields, which is a proxy indicator for improved financial and nutritional health, has to be cautiously accepted as an indicator of improved standards of living, in part because the baseline was abnormally low, owing to the drought. As the economic and financial analysis suggests, while the project was taking place Vietnam experienced economic growth, which may have also impacted the living standards of the beneficiaries living in the Northern Mountains.

Main outcome (i) To improve access to productive infrastructure,

Outputs (no targets were provided for these outputs)

- A total of 1,082 sub-projects were implemented, including 348 road sub-projects, 71 bridges, 372 irrigation sub-projects, 199 domestic water supply sub-projects, 6 market, 17 other infrastructure projects, and 17 related consultancies (ICR, pg. 36) .
- 3,844kms of rural roads were constructed (ICR, para. 30).
- 9,768m of bridges were built (ICR, para. 30).
- Over 13,000 sq meters of rural markets were built (ICR, para. 30).
- Water supply was provided to 15,755 households (ICR, para. 30).
- 16,000 ha of land benefited from construction of irrigation schemes (ICR, para 30).

Outcomes

By the end of the project at least one infrastructure sub-project had been built in every village reaching 192,000 households (ICR, para. 30). The improvement in infrastructure led to 95% of beneficiaries stating that they saved on transportation costs (ICR, para 30). Moreover, 62% of beneficiary households reported increased their frequency of visits to markets and farm input suppliers (Target met, Target: 60%, ICR pg. 30). The Evaluation of Infrastructure report also concluded that 76% of beneficiary households reported that the project's outputs decreased traveling time to farm land (Target met, Target: 60%, ICR, para. 30, and pg. 30). Beneficiary households also saved an average of 9 labor days for transporting their produce during harvest, compared to before the project. Two thirds of the surveyed beneficiaries reported positive changes to their production and marketing activities due to improved roads (No target provided, ICR, para. 30). The provision of water supply to domestic households also potentially had benefits related to hygiene and sanitation, and improved drinking water quality (No targets provided, no further quantitative information provided, ICR, para. 30).

Overall, there was evidence from the beneficiary survey that showed there were cost-savings, reduced travel time and improved access to market and facilities. There may have also been improved access to water quality, although the ICR does not include any water testing results. These changes may have contributed to the enhancement of standard of living for beneficiary households. In other words, it is likely that consumption expenditure on everyday needs such as water and transportation were reduced, but the ICR did not provide any quantitative or credible income data. The improvements were also unlikely to be evenly distributed as different villages benefited from different sub-projects. The ICR also did not provide any disaggregated data by district. The level of improvement in the quality of life would be dependent on the prioritization of the sub-project by the commune. Finally, 35% of interviewed households considered the status of the infrastructure worse than before the project handover (ICR, para. 80). This is problematic as it highlights the potential poor quality of maintenance and the risk that any gains could disappear with time.

While some proxy indicators appear to demonstrate that there was improved standards of living through improved productive infrastructure, there was no consumption expenditure data or information disaggregated at district level. In addition, there is some evidence to suggest that the quality of infrastructure was worse than at handover reflecting poor maintenance. On balance, this outcome is rated as modest, owing to significant shortcomings.

Main outcome (ii) To improve the productive and institutional capacities of local governments and communities,

Output

- 24,000 farmers were trained in safeguarding assets, disaster risk reduction, and climate change (Target not provided, ICR, para. 31).
- 18,029 commune staffs and 38,167 village staffs participating in the trainings, of which ethnic minority people accounted for 89.5% and women accounted for 41% (Target not provided, Interview, 2020).

Outcome

According to the ICR, several trainings were provided at various levels of local government. Trainings varied from socio economic development planning, management of infrastructure investments, procurement and financial management, contract management and construction work supervision, and operations and management of infrastructure (ICR, para. 43). According to the ICR, the capacity strengthening measures enabled the Commune Development Boards (CDBs) to play a role as investment owners and village leaders to take ownership of the development activities (ICR, para. 43). The ICR provided self-assessment evidence to showcase the project's contribution towards productive and institutional capacity strengthening (Interview, 2020). For example, more than 60% of CDBs felt capable of and proactively implementing SEDP processes (Interview, 2020). Moreover 24% of the surveyed communes were confident that they were capable, proficient and could guide their colleagues (Interview 2020). The self-assessment information is one proxy indicator to showcase capacity strengthening, however it does not indicate quality improvement over time (Interview, 2020). Indicators related to levels of knowledge change or use were not part of the logframe. The ICR did not mention any concrete products that were a result of the implementation of training or mentorship (such as the use to which they applied). This information would have been helpful to assess the achievement of this outcome area. Nonetheless, the proxy information and the volume of people trained lead this outcome to be rated as substantial.

Main outcome (iii) To increase commune integrated investment planning,

Output (no targets were provided for the first 3 outputs; it is assumed that targets were met for the last 3 outputs)

- 7,861 infrastructures and above 900 design works were prioritized, developed and implemented by commune members through the Community Development Board (CBD).
- 900 commune staff and 5,000 villagers received O&M training (ICR, para. 31).
- All communes undertook a risk assessment of their plans (ICR, para. 31).
- All infrastructure projects had an operations and management (O&M) group established (ICR, para. 31).

Outcome

As of project closing, all six provinces had institutionalized the commune SEDP Guidelines (Target met, Target: 6 provinces, ICR, pg. 33). Twenty-eight out of the 29 project districts consolidated the commune SEDPs into their districts SDEPs. (Target exceeded, Target 60% and target met 97%, ICR, para 31). The ICR reports that 66% of women and ethnic minorities regularly participated in planning and decision making processes (Target met,Target 60%, ICR, pg. 31). The ICR does not include information in terms of the quality of contribution by the women, and the extent that their voices were heard. On balance, this outcome is rated as substantial.

Main outcome (iv) To increase market linkage and business innovations.

Outputs (no targets are provided except for the last output)

- 13,568 common interest groups (CIGs) were supported throughout the project (ICR, para. 33)
- 57,000 people were members of CIGs, with 52.3% being women (ICR, para. 33). .
- 157,000 people were members of CIGs, with 52.3% being women (ICR, para. 33).
- 383 CIGs had ongoing contracts with their agribusiness partners.
- 243 CIGs were in their first production cycle.
- 130 CIGs obtained formal status as collaborative groups (Target exceeded, Target: 50, ICR, pg. 32)

Outcome

At least 66% of CIGs established by the end of the project had an ongoing contractual business relationship with their agribusiness partner. At least 74.7% had sustained increase in their livelihood production assets (Target met, Target: 60%, ICR, para. 33). The value of productive assets of a CIG was considered to have increased when the total asset value generated by the CIG was higher than the value of the initial investment. On average, the value of the asset that each CIG generated was approximately US$10,000 (ICR, para. 33). Each CIG on average generated an asset value that was double the initial investment of US$3,300 (ICR, para. 33). In June 2018, 90% of CIVs were operating (ICR, para. 33).

A total of 107 productive partnerships, consisting of 1351 Common Interest Groups (CIGs) and 64 agro-businesses were established. Of the 1351 CIGs, 578 CIGs, were in their second or subsequent production cycles. The productive partnerships were covering over 22,000 households and involved 21 livestock activities, 85 cultivation/crop activities and one tourism service (ICR, para 34b). As of November 2017, 82 production partnerships were facilitating commercial linkages between agribusiness partners and farmers. An evaluation of the Performance of the PPs reports indicated higher total asset value than the total initial investment cost. Only 60 production partnership had signed ongoing contractual agreements between the CIGs and the business partners (ICR, para. 34b). At project closing, 381 out of the 578 CIGs (or 66%) were operating in their second or third production cycle and had ongoing contracts with their agribusiness partners (Target met (66% operating beyond first cycle or more), Target 60%,ICR, para 34b). Moreover, 88% of the CIGs were making marketing decisions regarding selling outputs or buying inputs, using market information from a minimum of two different sources (ICR, para 34a).

Finally, the project succeeded in raising additional finance through agreed upon co-financing rules with CIGs. In total, 14% of livelihood support and production services and support for women's social and economic development was raised by CIG members (No Target provided, ICR, para. 44). This outcome is rated as substantial.

Rating

Substantial

OVERALL EFFICACY

Rationale

The objective aimed at improving standards of living of ethnic minorities in the Northern Mountain region. The project was able to implement at least one infrastructure project in each commune. It trained local government and communes and it supported establishing CIGs in the agricultural business.

The ICR did not include any information on consumer expenditure and mainly relied on a beneficiary survey and proxy data to showcase the objective's achievements. While there is some data that shows that individuals were able to decrease travel time, and improve access to markets, the quality of infrastructure was uneven. This also implies that improvements in standards of living across households may have also been uneven, particularly since different villages received different infrastructure project. The efficacy of achieving the first outcome was modest. The project was successful at establishing a large number of CIGs, and a subset was able to move forward to their first or second production cycle, obtain production partnerships, and create linkages with agribusiness. While the project trained local government and villagers, it did not include sufficient data in terms of what shifted or changed in the local government's approach to improve standards of living as a result of training. On balance, the efficacy of this project is rated as Substantial.

Overall Efficacy Rating

Substantial

5. Efficiency

Scope of Analysis: A financial and economic analysis was carried out during appraisal, restructuring and at the end of the project. While the financial and economic analysis applied the same methodology used in the appraisal, some of the priorities and investments changed during the life of the project.

Economic Analysis: At appraisal, the Internal Rate of Return (IRR) was estimated at 20.1% (PAD, para. 56). The annual financial return per beneficiary household was estimated at US$283 per year for livestock farmers and US$232 for crop farmers.
However over the life of the project, levels of investments on key areas shifted from those that were originally projected. For example, it was assumed that 90% of private good investments would support crop production and 4% would support livestock production. However, by the end of the project 90% of investments were allocated to livestock production (ICR, para. 36). As a result, individual activity comparisons between ex-post and ex-ante economic and financial analysis results may not be valid (ICR, para. 36).

At project closure, the ERR was estimated at 27.4% with a net present value (NPV) of US$111.2 million (ICR, para. 37).
In terms of unit costs, the project's activities costs were within the range of similar projects in the country and in comparable countries (ICR, para. 38). The average project cost per beneficiary household was of US$1,294 or

US$322 per beneficiary (ICR, para. 38).

Operational Efficiency: There were a few factors that negatively affected the project's efficiency. For example, the project experienced a few disbursement and procurement delays that affected the project's implementation and led to an extension of the disbursement deadline to June 30, 2019 (ICR, para. 38). At the time that the ICR was written, there were US$34 million unspent due to budget inefficiencies (ICR, para. 38). Budget inefficiencies included projected allocations were not sufficient for the project to fully utilize its borrowing amount (ICR, para 67). The project also spent about 14% of the total budget on operational costs.

Overall, the project generated a satisfactory ERR at a reasonable unit cost. However there were implementation delays and disbursement and procurement inefficiencies. On balance, the efficiency of the project is rated Substantial (ICR, para. 40).

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐ Not Applicable
ICR Estimate	✓	27.40	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The project's objective was relevant given the context. There was also strong alignment with the World Bank's Development Goal and Assistance Strategy. While the project's objective likely contributed to the government development strategy, the ICR did not include evidence of recent strategies. The relevance of the objectives is rated as substantial.

The objective aimed at improving standards of living of ethnic minorities in the Northern Mountain region. The ICR did not include any information on consumer expenditure and mainly relied on a beneficiary survey and proxy data to showcase the objective's achievements. While there is some data that shows that individuals were able to decrease travel time and improve access to markets, the quality of infrastructure was not consistent across all locations. This also implies that improvements in standards of living across households may have also been uneven, particularly given that different villages received different infrastructure. The project was successful at establishing a large number of CIGs, but proportionally only a small subset was able to move forward to their first or second production cycle, obtain production partnerships, and create linkages with agribusiness. The project trained local government and villagers, it did not include data in terms of what shifted or changed in the local government's approach to improve standards of living. In a self-assessment the CDBs also described feeling more capable and proactively implementing the SEDP process.   Having said that, there was progress in agricultural yields and improvements in households within the project areas. Thus, on balance, the efficacy of this project is rated as Substantial.

The project generated a satisfactory ERR at a reasonable unit cost. However, there were implementation delays and disbursement and procurement inefficiencies. As a result, the efficiency of the project is rated at Substantial.

Therefore, the overall outcome is rated Moderately Satisfactory.

a. Outcome Rating

Moderately Satisfactory

7. Risk to Development Outcome

There are two potential risks to the development outcomes.

Operational and Management Sources for Infrastructure Project. There was a lack of commitment for continuous operational performance and management of infrastructure projects. While the project took precautions during implementation and trained communes on operational performance and management, the sustainability and upkeep of the infrastructure projects are under potential threat. For example, adequate resources to keep roads and bridges maintained relies on public sources (ICR, para. 76).

Need for continuous technical support. The achievements in this area were in part due to the technical assistance provided to the agricultural sector but they require continuing support, particularly after project closure (ICR, para. 78).

8. Assessment of Bank Performance

a. Quality-at-Entry

The design of the project included lessons learned from previous poverty reduction projects. The design team incorporated design improvements with increased focus on improving livelihoods, local area business development, O&M of infrastructure, and disaster risk management support (ICR, para. 46). The project also focused on ensuring that women were at the center of the project, by enhancing women's voices and actions in sub-project prioritization, representation in CDBs, and financing women's groups and activities (ICR, para. 47). The preparation of the additional financing (AF) also focused on sustainability of livelihood interventions and the institutionalization of SEDP (ICR, para. 48). The AF also focused on including key trainings for small infrastructure (ICR, para. 49).

The project's design had some shortcomings, including inadequate indicators (ICR, para 72). The project team attempted to solve some of the shortcomings during the first restructuring, but other shortcomings remained throughout the life of the project. As a result, the project was unable to fully measure its impact on the communes and villages. The quality at entry is rated at moderately satisfactory.

Quality-at-Entry Rating
Moderately Satisfactory

b. Quality of supervision

The project was overseen by two Task Team members and several other World Bank team members. The World Bank team provided ongoing support to the client project team and conducted post-reviews of selected procurement packages. The team conducted regular site visits and the midterm evaluation. On average, there were two supervision missions per year (ICR, para 73, World Bank staff interview, January 2020) The Implementation Support Missions highlighted concerns related to project management and implementation. While the recommendations in the ISM were relevant, they could have benefited from more stringent structure and follow up (ICR, para. 73). For example, the "status of agreed upon actions from last mission," was not always captured appropriately (ICR, para. 73).

The project had complex planning, budgeting, and financial management. There were some initial challenges with the seven designated accounts due to staff turnover and delayed recruitment of national and international experts to support project implementation (ICR, para. 51). The project was also delayed in purchasing vehicles due to the strict implementation of Resolution 11 on inflation control and reduction in public expenditure to stabilize the macroeconomy (ICR, para. 52). The delay had an impact on monitoring and support to districts. The project was also negatively affected by delays in funds allocation and disbursements. The delay had an impact on monitoring and support to districts. The project was also negatively affected by delays in funds allocation and disbursements. Some of these issues were resolved during the life of the project and the project accelerated to full disbursement (100%) in period 2010-2015 (Interview, 2020). The project also failed to conduct an end of project survey due to budgetary issues which led to the inability to credibly report on final project results (ICR, para. 54).

Notwithstanding supportive supervision, Bank performance in this regard is rated as moderately satisfactory as a result of the moderate shortcomings, including delays in procurement, high turnover of staff at district level, and insufficient monitoring.

Quality of Supervision Rating
Moderately Satisfactory

Overall Bank Performance Rating
Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design
The project aimed to enhance the living standard of the project beneficiaries by improving four interconnected outcomes, including access to infrastructure, productive and institutional capacities or governments and communities, commune integrated investment planning, and market linkage and business innovations.

The theory of change assumes that ethnic minorities will improve their standards of living through better access of services via improved infrastructure. However, there are limitations to this assumption as there are likely other systemic factors that also affected ethnic minorities' standards of living. By increasing the capacity of local government, the project aimed to improve efficiency in planning and service delivery at the local level. The project also aimed at improving market linkages, particularly related to agriculture, and fund business innovations.

While the theory of change touches on a range of important topics, the logic framework fails to adequately link activities to the outcomes. As the ICR admits, the project's "objective is complex and has different layers." (ICR, para. 55). Unfortunately, there were insufficient activities to meet the objectives particularly related to strengthening local commune and government capacity. Moreover, there were insufficient indicators to measure achievements across multiple outcomes.

The PDO indicators were also clearly not well-defined (ICR, para. 55) For example, improving living standards was also not well defined in the logframe. Indicators to measure the objective were related to beneficiary satisfaction and beneficiary per capita income. The beneficiary satisfaction indicator was correctly dropped during the June 2015 restructure. A new indicator on sustained increased livelihood production assets was added. Other indicators that could have helped to measure standard of living may have been related to the level of well-being, level of expenditure, use and access to goods and services, etc. While the ICR addressed this issue by using proxy data, there are major flaws in the logframe. Indicators to measure the outcomes described within the objective were weak. As the ICR summarizes "despite the iterative improvements to the results framework, some indicators remained vague in their relevance and wording and this created challenges in interpretation and hence in measurement." (ICR, para. 56). Finally, the results framework also did not include two mandatory core indicators, such as number of direct project beneficiaries and female beneficiaries (ICR, para. 56).

While the PAD stated that the monitoring system was designed based on the previous phase of this project

(PAD para. 41), it failed to take into account new thinking in measurement of monitoring and evaluation. For example, the monitoring system was not designed to measure natural disaster vulnerability and climate change, two important activities (ICR, para. 56). While qualitative data was meant to be collected through citizen reports and most significant change methodology, findings from these methods were not included in the ICR (PAD, para. 41). These two methods were used by an independent firm until the mid-term review (World Bank Staff interview, January 2020). Thereafter the project team led the most significant change methodology to help gather data on key indicators (World Bank staff interview, January 2020).

As planned, the project also implemented a randomized sample baseline (World Bank staff interview, January 2020). The project also conducted a follow-up survey as a part of a midterm (PAD, para. 41 and World Bank staff interview, January 2020).
The project was designed with the intent to conduct an end of project survey that would include a control group of non-treatment villages (PAD, para. 41). Despite the intention of conducting the survey, there were changes to public financing and the 2016–20 medium term investment plan (MTIP) that did not enable the study to move forward (World Bank staff interview, January 2020). Instead, the project team decided to conduct multiple thematic surveys that the ICR could used to provide evidence on achievement (or not) of the PDOs (World Bank staff interview, January 2020). These thematic reports included (a) The Infrastructure Evaluation Report was based on a survey of 1296 randomly selected beneficiary households, covering 25 out of 29 Project districts; (b) the Livelihood Evaluation Report which contain data from 10,323 CIGs; and (c) the Productive Partnership Report containing data on all 107 productive partnerships. (ICRR, para 29).

The Monitoring and Evaluation plan was designed to be managed by staff in the district and provincial management units, as well as an information technology person to oversee the MIS project (PAD, para. 41). During project implementation, M&E consultants were positioned at the Central Project Coordination Office (CPO) and all PPMU/DPMU of all project provinces and district (World Bank staff interview, January 2020).

b. M&E Implementation

Progress on CIGs were monitored through Community Facilitators, who communicated and aggregated data at district and provincial level by the project management units (ICR, para. 58) . Livelihood data was also maintained in a database of the livelihood projects (ICR, para. 58).

Overall, the project implemented more or less the M&E system that was described in the PAD. There were, however, difficulties operationalizing the MIS in the early project years. Several WB ISMs highlighted the need to improve the MIS system and provide additional training to the M&E staff. Performance improved with the introduction of a web-based platform in 2012 (ICR, para. 57). By the end of the project, the MIS database had collected information on 26,700 investment sub-projects (infrastructure and livelihoods) and more than 4,200 trainings courses (Interview, 2020). It also collected information on key indicators (Interview, 2020).

The project was also unable to conduct an end of project survey due to changes in the public financing and medium-term investment plan (ICR, para. 29). As a result, it had to rely on conducting multiple thematic reports to provide evidence based on the achievements of the PDO (ICR, para. 29). These reports focused on collecting data only from project beneficiaries and did not provide comparisons with non-project communes (ICR, para. 29).

c. M&E Utilization

According to the ICR, the M&E findings and recommendations led to two project restructurings (ICR, para. 59). According to the Government of Vietnam, the data collected was useful for decision-making (Interview, 2020). It allowed the project to revise some indicators. The project staff also worked towards improving the MIS system, however at times provincial management units prepared quarterly reports without input from district-level staff (ICR, para. 59). While large volume of data was collected throughout the project, as the ICR reflects “the data was not the ideal substitute for income data that would have been obtained from the planned end of Project household survey.” (ICR, para. 59).

The overall rating of quality of M&E is rated as modest. There were significant shortcomings in the design of the M&E system, including results framework and indicator selection. The implementation of the M&E system had some shortcomings, particularly around the MIS. Finally, while some of the data was used for decision making, the MIS system faced technical delays and regular updates that led to reporting based on incomplete data. Data that was collected was not useful as proxy data. It was only an after-project beneficiary survey that measured, through proxy data, some improvements in standards of living.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

The project was classified as a Environmental Category “B” Partial Assessment. At appraisal, it triggered the following safeguards: Environmental Assessment (OP/BP 4.01), Involuntary Resettlement (OB/BP 4.12), and Indigenous People (PAD, pg. viii).

The environmental impacts of the project were related to the small-scale infrastructure and livelihood sub-projects. The impacts were minor and localized (ICR, para. 61). They were managed by applying the Bank’s Environmental Code of Conduct (ECOP) and the GoV’s Environmental Protection Planning (EPP). ECOP was incorporated into bidding and contractual documents. The project management unit supervised the construction contract’s compliance with agreed mitigation measures and periodically reported to the Bank (ICR, para. 61).

There were no incidents or accidents throughout the life of the projects and there were no complaints through the established grievance redress system from local people about environmental impact (ICR, para. 61). There were also no complaints regarding compensation for land donation issues raised (ICR, para. 65). Only two households had queries about the level of compensation rate (ICR, para. 65).

The Central Project Coordination Office (CPO) technical staff provided guidance on good agricultural practices (GAP) and waste management (ICR, para. 62). Other best environmental measures were also used in the agricultural activities to properly discard animal waste, reduce the demand for chemical fertilizers, and exploitation of fuel wood (ICR, para. 62). Natural forest screenings indicated that the project had no adverse impact on forests throughout the implementation (ICR, para. 63).

About 95% of project beneficiaries were ethnic minority groups, and hence key features of Indigenous People were carefully considered during project design (World Bank staff interview, January 2020). The approved project paper was considered as an Action Plan for Indigenous People (World Bank staff interview, January 2020) . During project implementation, several efforts were implemented to reach ethnic minority groups, including the use of local languages at village consultation meetings and in relevant communication products (video, audio books, leaflets, etc.); fair representation of ethnic minority groups in meetings, surveys, and other project activities (World Bank staff interview, January 2020).

There were some difficulties in the compliance of social safeguard policies during the first few years of implementation due to lack of understanding of the policies, weak information provided to the project beneficiaries, no systematic recording of assets provided to households, lack of monitoring reports on safeguard policies, and inadequate quality of Resettlement Action Plans (ICR, para. 64).

b. Fiduciary Compliance

The project submitted acceptable interim financial statements and acceptable audited financial statements (ICR< para. 66). According to the ICR, the financial management system was well staffed and trained.

The project experienced some challenges related to budget process, disbursement, and internal auditing. For example, the budget process was not efficient and allocations made in 2016-2020 were not sufficient for the Project to fully utilize its borrowing authority (ICR, para. 67). There were also delays in disbursement process due to the Ministry of Finance rules, such as the delayed signage of the Withdrawing Applications of the Ministry of Finance (ICR, para. 67).

The implementation of the internal audits was not consistent throughout the life of the project. (ICR, para. 67). For example, internal audits were carried out every year from 2011 to 2014 (World Bank Staff interview, January 2020). However, after 2014 no internal audits were carried out due to heavy workload of the Inspectorates and the absence of a legal framework for internal audits in the public sector (ICR, para 67).

The external audits were carried out by independent audit firms every fiscal year (World Bank staff interview, January 2020). For Project financial statements, the audit opinions were unqualified (World

Bank staff interview, January 2020). During the first years of implementations there were some qualified opinions, such as the effectiveness of internal control, contract management, and cash management (World Bank staff interview, January 2020). After audit reports were issued, all implementing units at all levels of government took action to review the mentioned issues and prepare action plans to correct or avoid in the future (World Bank staff interview, January 2020).

c. Unintended impacts (Positive or Negative)

None

d. Other

None.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Quality of M&E	Modest	Modest	
Quality of ICR	---	Substantial	

12. Lessons

The following lessons were extracted from the ICR:

1. **Infrastructure projects need to be of the highest quality in order to have sustainable impact on the lives of the beneficiary.** For example, while the project was able to implement infrastructure across several districts, about 35% of interviewed households considered the status of the infrastructure worse than before the project began (ICR, para. 80). Infrastructure projects were reported as below standards due to inappropriate designs, low quality construction, and poor supervision (ICR, para. 80). The project needed additional mechanisms to ensure quality, safety, functionality and compliance with environmental standards (ICR, para. 80).

2. **One-off trainings are insufficient to improve agricultural productivity.** For example, it is known that in order for farmers to increase their livelihood activities, it takes several

production cycles. The project design emphasized practical and hands-on training, however not a lot of farmers completed trainings for multiple production cycles (ICR, para. 81). The project design also did not consider how best to provide continuous technical advisory services to the farmers upon completion of the project (ICR, para. 81).

3. **Local governments are better prepared for decentralization efforts if they receive adequate and relevant institutional capacity.** For example, the project contributed towards building capacity at the district and provincial levels (ICR, para. 82). This work supported and prepared local government for the time when the Vietnam government will implement its full decentralization agenda (ICR, para. 82).

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR was clear and well written. The ICR adequately described the limitations of the project's design and implementation, including issues with the indicators, gaps in data related to efficacy, and the poor implementation of monitoring and evaluation systems. The ICR could have included more of the project's shortcomings into the efficacy section instead of leaving them for the lessons learned section. Overall, this ICR is rated as Substantial.

a. Quality of ICR Rating

Substantial