

**PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)  
CONCEPT STAGE**

Report No.:

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<b>Program Name</b>	<i>Program Support for NTP NRD and SPR</i>
<b>Region</b>	<i>East Asia and the Pacific</i>
<b>Country</b>	<i>Vietnam</i>
<b>Sector</b>	<i>Agriculture and SURR</i>
<b>Lending Instrument</b>	<i>Program For Results Financing</i>
<b>Program ID</b>	<i>P159737</i>
<b>{If Add. Fin.} Parent Program ID</b>	<i>N/A</i>
<b>Borrower(s)</b>	<i>Government of Vietnam</i>
<b>Implementing Agency</b>	<i>MARD, in collaboration with MOLISA and CEMA</i>
<b>Date PID Prepared</b>	<i>June 3 2016</i>
<b>Estimated Date of Appraisal Completion</b>	<i>January 2017</i>
<b>Estimated Date of Board Approval</b>	<i>June 2017</i>
<b>Concept Review Decision</b>	Following the review of the concept, the decision was taken to proceed with the preparation of the operation.
<b>Other Decision {Optional}</b>	

**I. Introduction and Context**

**A. Country Context**

Since Vietnam's economic reforms of 1986, the country has experienced strong economic growth, with GDP currently growing at around 6.3%. Accompanying this has been a rapid urbanization. On the other hand, the share of agriculture in Vietnam's GDP and trade has been relatively flat since the mid-2000s at around 19%. As agricultural growth rate has fallen from around 4.5% per annum in 2000 to 3.3% (2008) and 3.5% by 2014, so also has the share of agriculture in employment also fallen, from 65% in 2000 to 47% in 2012. Nevertheless, about 67% of the population still lives in rural areas where the income gap between rural and urban areas continues to grow in absolute terms, along with growing socio economic inequalities. Overall poverty rates have dropped over the past decade, but the gap between rural and urban poor has widened, such that urban poverty rates are around 6% compared with 27% in rural areas (WB-GSO estimates). Poverty is even more severe in the Mountain Provinces of the north, ranging from 37-60% especially among the ethnic minority groups. Ethnic minorities, while accounting for less than 15% of the total population, make up over half of the poor and have average incomes of only one sixth of the national average.

Government's key strategy to address some key priorities in development and to facilitate the redistribution of growth to narrow the disparities between urban and rural areas has been through 16 National Targeted Programs (NTPs) that were implemented over the period 2011-2015.

Among those NTPs, the new Rural Areas Development (NRD) was designed to upgrade services and infrastructure for rural communities to meet 19 economic and social criteria targeting poverty, education, health, livelihoods, rural development, culture, energy and climate change. Funding and implementation was based on achievement of largely infrastructure targets set for communes, districts and provinces (mainly roads, schools, health centers, & water supplies), as well as on socio-economic targets of improved welfare and poverty reduction. Achievement of the preset NTP targets qualifies communes, districts and provinces for National Rural Development (NRD) status; a largely symbolic recognition, but also facilitating funding from other government sources. There have been gains in some provinces and communes, particularly in terms of enhanced local level planning, especially where donor supported projects have been undertaken. However, there has been little institutionalization of such gains and improved approaches and processes have not been sustained after completion of subprojects. The National Target Program for Sustainable Poverty Reduction on the other hand, is based on the Prime Minister's Decision 20/2007/QD-TTG of 2006 which aimed to halve poverty between 2005 and 2010. The program subsequently evolved into the National Targeted Program on Sustainable Poverty Reduction (NTP-SPR) (2011-2015). The NTP SPR supports infrastructure, livelihoods, basic services and capacity building. There have also been a large number of policies and programs specifically designed to assist ethnic minorities and people living in remote and disadvantaged areas. Such policies however lack coherence and implementation mechanisms do not adequately integrate into local planning processes. The program could also be strengthened in terms of its adaptation to ethnic diversity in terms of local culture, indigenous circumstances and needs of the people. Risks of falling back into poverty are also high due to non-sustainability of livelihood activities, impacts of climate change, natural disasters, epidemics, unemployment etc.

Therefore, despite the considerable Government resources and donor support for the NTP-NRD and SPR, high endemic poverty, unemployment and under-developed rural services remain pervasive in many parts of the country. Institutional mechanisms through which these programs are implemented at the local level need to be integrated into the overall planning for the province, district and commune. Also, many of the lessons and experience from donor-supported activities have yet to be internalized and integrated with Government procedures. The primary focus on achievement of infrastructure targets during the first phase of the NTPs also deflected attention from tackling growing issues relating to environmental pollution, food quality concerns, depletion of resources particularly water and forests, and the need for greater product intensification and value addition.

In light of the above, Bank assistance has been requested to assist in strengthening the next phase of these two NTPs, planned for (2016-2020), with particular emphasis on strengthening and coordinating institutional mechanisms for local level planning and investment. Further, there is a need to enhance the impact of interventions aimed at raising agricultural productivity and value addition, while also supporting livelihood activities both farm and non-farm for the poorest areas of the country. Importantly for this next phase, the 16 NTPs have been consolidated into two Nationally Targeted Programs encompassing Rural Development (NTP-NRD) and Sustainable Poverty Reduction (NTP-SPR) based on National Assembly Resolution 100. The Prime Minister Decision providing the framework for the NTP-NRD is being finalized, while that for the NTP-SPR has been issued. This phase of the NTP-SPR will emphasize capacity building and

strengthening planning and investment decisions to local levels. Specifically, for the P135 sub-program targeting ethnic minority communes, the program will support more commune-owned infrastructure, inclusion of non-farm livelihood support, inclusion of civil society and private sector as service providers and a more resourced capacity building component. These design features are a result of a concerted multi-donor engagement with CEMA which is the institution leading the P135 program. The Prime Minister Decisions for NRD still specify 19 criteria (targets) for provinces, districts and communes, but more local level flexibility is given in how those targets are to be achieved. The Prime Minister Decision for the NTP-NRD is also more explicit that Value Chain Analyses should be done to provide the technical basis on which agricultural productivity and value addition investments should be based.

Considerable complementarities exist between the NTP-NRD and NTP-SPR, with the latter focusing more on the poorest provinces and especially where there are marginalized ethnic groups. They both finance infrastructure, production and livelihood activities and some capacity building. However, their implementation mechanisms are not harmonized resulting in inefficiencies at the provincial, district and commune levels. The NTP-SPR has 5 sub-programs. Over half the funds are focused on program P135 which targets infrastructure, production and capacity building activities in the poorest and remote communes where there are marginalized ethnic groups. The other large program P30A focuses on poorest districts and coastal areas. SPR also includes programs for production, capacity building and M & E. The NTP-NRD has four overarching and ambitious objectives to be achieved by 2020; i.e. (i) 50% of communes should meet NRD standards, and each province, and each city under Central Authority should have at least one district meeting NRD standards (i.e., meeting all 19 criteria); (ii) Communes, on average, should meet 15 (out of 19) of the NRD criteria and no commune should achieve less than 5 criteria; (iii) Basic production and quality of life requirements are to be achieved for rural citizens in areas such as transportation, power supply and domestic water, schools, and health stations; and (iv) Income levels should be increased by at least 1.8 times compared with 2015. The NTP-SPR on the other hand, aims to: (i) lower the national poverty rate by 1% to an average of 1.5% per year; (ii) improve the livelihoods and quality of life for the poor by increasing per capita income of poor households nationwide by 1.5 times from 2015 to 2020; (iii) implement poverty reduction mechanisms and policies in a consistent and effective manner to improve the living conditions and enhance access to basic social services for the poor; and (iv) invest in the infrastructure of poor districts, communes and villages with special difficulties following NTP-NRD criteria.

## **B. Sectoral (or multisectoral) and Institutional Context of the Program**

Over the period 2010-2014, the overall poverty rate (using the GSO-WB poverty rate) fell from 20.7 percent to 13.5 percent, corresponding to approximately 6.5 million people exiting from poverty in this period. Poverty has become increasingly concentrated among ethnic minorities, with the share of the poor who are ethnic minorities rising from 47% to 60%. A growing share of the poor live in the Northern Mountains and Central Highlands—where ethnic minorities are concentrated. Programs targeting these groups are not very well designed in terms of meeting their specific needs. The consultation and local level engagement, both in terms of communities and local government is limited with programs being largely standardized and top-down. Where good models have been implemented (as with Donor and civil society projects), the impact of

these programs are short-term and have not been adequately scaled up and institutionalized to deliver a transformational impact.

Ethnic minorities have not benefitted from their fair share of Vietnam's growth spurt due to a range of factors. Language barrier, geographical remoteness and failure to integrate into sustainable value chains are some of the main factors why ethnic minority communities do not equally benefit from national programs and policies. These communities also lack representation and voice. This is the case even with the larger groups like Muong and Hmong. Increasing their engagement in local level planning and decision making would be an effective strategy that would ensure that they benefit from development choices made within their localities.

Despite the growing disparities between urban and rural areas, Vietnam's agricultural sector has experienced rapid growth and product diversification. From 2009-2012, public expenditure on agriculture increased in absolute terms from 34.2 to 43.4 VND trillion (current prices), but declined from 1.9 percent to 1.3 percent of GDP, and from 6.7 percent to 4.8 percent of total government expenditure. Smallholder production has been central to the country's national food security and social stability. Between 1990 and 2010, paddy production increased from around 19 to 40 million tons. Two-thirds of this expansion took place in the Mekong Delta. The agricultural household segment is dominated by very small farms with 35% of households farming 0.2 ha or less and 34% farming 0.2-0.5 ha. Households farming 2 ha or more account for just over 6%. There are however, significant regional differences with 97% of households in the Red River Delta being less than 0.5 ha, compared with the Central Highlands where 23% of households farm less than 2 ha. In the Mekong Delta, around 10% of holdings are less than 2ha.

Vietnam's agricultural performance has also outperformed that of most other countries in the region. It now ranks in the top five global exporters for seven commodities (rice, coffee, pepper, natural rubber, cashew, and cassava products.). However, there are emerging concerns on the quality and sustainability of its growth model. Despite rapid improvements since the 1990s, labor productivity in agriculture remains extremely low relative to comparator countries. An issue has been the policy to maintain the dominance of rice in the use of the best land and much of the country's irrigation capacity. Low smallholder profitability, considerable underemployment among agricultural workers, uncertain food safety, low value addition, price-discounted commodities in international markets, and limited technological or institutional innovation are other concerns. Agricultural growth has also come at the expense of the environment.

Vietnam's agriculture now faces considerable challenges. Major opportunities are emerging in the domestic, regional, and international markets, yet without transformation, the sector will no longer be able to compete on the basis of low-cost, labor-intensive natural-resource use. The sector will also face growing domestic competition—from cities, industry, and services—for labor, land, and water. Future growth must depend upon increased efficiency and innovation. Change is also needed in the structural patterns of production and supply-chain organization. These are highly fragmented, with limited collective action at farmer level and weak vertical coordination. This problem has contributed to unnecessary transaction costs, unrealized economies of scale in certain functions, and poor incentives to produce and maintain higher-quality produce and raw materials. Similarly, change is warranted in the "state management" model—that is, in the technical and regulatory services provided by the state, in public investments and expenditures in the sector, and in the policies applied to foster farmer and agribusiness investment.

Much of Vietnam's best agricultural land is still officially reserved for paddy production, although Decree 35 (dated April 2015), eases the restrictions on 'paddy land', and for conversions to other short term crops. There are however growing concerns as to the quality and sustainability of Vietnam's agricultural growth and patterns of development. Of particular concern are the weak smallholder farmer and worker productivity, variable product quality and food safety, low value addition, and limited technological and institutional innovation. Vietnam's agricultural growth has relied upon expansion and more intensive land and water use, along with intensive use of fertilizer and agro-chemicals.

For the NTP-NRD, the Ministry of Agriculture and Rural Development (MARD), is the lead implementing Agency. MARD's Agricultural Restructuring Plan (ARP) has recognized the need for a strategic re-orientation around sustainable economic social and environmental development goals. The ARP calls for a shift from dependence on central planning towards increased decision-making by market players reacting to market signals and opportunities. The NTP-NRD provides one of the delivery mechanisms for achieving MARD's strategic development goals through its focus on the poorer provinces, districts and communes. As such areas achieve the NRD targets (i.e., graduation), they become eligible for the regular technical and funding support provided by MARD through the Provincial and District level Departments of Agriculture and Rural Development (DARDs). MARD hosts the National Coordination Office (NCO) for the NTP-Rural Development, although the budget and management of that program is distinct from that of MARD.

For the NTP-SPR, the Ministry of Labor Invalids and Social Affairs (MOLISA) is the lead implementing agency, while the Committee for Ethnic Minorities Affairs (CEMA) is responsible for the implementation of Program 135 as the second pillar of NTP-SPR with activities targeting communes with special difficulties, border communes, and communes in safety zones and villages with special difficulties. For both agencies, however, the focus under the NTP-SPR is primarily on improving livelihoods, welfare and standards of living. The NTP-SPR provides the delivery mechanism for achieving the 10-year Socio-economic Development Strategy (2011-2020), and the 5-year Socio-economic Development Plan (2016-2020). The key strategy under the Plan is the focus on 94 poor districts, of which, 64 are eligible for support under the Resolution 30a/2008/NQ-CP as well as on the 2,068 communes (18.5% of national total), and 18,280 villages which are categorized as having the most difficult socio-economic conditions.

### **C. Relationship to CAS/CPF**

The proposed support for the NTP-NRD and SPR is closely aligned with the Country Partnership Strategy. Through investments and institutional reforms designed to raise productivity, value addition, poverty alleviation and supporting infrastructure, the operation would directly support the Bank's Development Agenda of Competitiveness, Environment and Natural Resource Sustainability, Poverty and Inequality, Vulnerability and Governance. More specifically, the proposed operation would contribute to the CPS program of investments and policies aimed at (i) strengthening Vietnam's competitiveness in the regional and global economy through a focus on raising agricultural productivity and value addition, (ii) increasing the sustainability of

investments through institutional reforms and changes in the way of doing business to enhance impact and sustainability, and (iii) broadening access to economic and social opportunity through the NTP's focus on the poorest provinces and ethnic minorities. It would also contribute directly to the twin-goals, especially targeting extreme poverty, through support to the NTP-SPR program which targets the poorest communes and districts. Specifically, the SPR's focus on ethnic minorities targets a group that accounts for over 60% of Vietnam's extreme poor. It would also support the cross-cutting strategic themes of the CPS to (i) strengthen governance through investments to develop an M&E system linked to the TABMIS Financial Management system to enhance accountability, (ii) promotion of gender equality through a focus on livelihood and employment opportunities for women, especially among the poorest ethnic minorities, and (iii) improved resilience in the face of economic and climatic shocks through a focus on productivity and value addition from on- and off- farm as well as non-farm livelihoods and enterprises, as well as through changes in the incentive framework to encourage more investments under the NTP designed to reduce vulnerability to climate change, e.g., through irrigation and all-weather access in rural areas.

#### **D. Rationale for Bank Engagement and Choice of Financing Instrument**

While the NTP-NRD and SPR have made important contributions to rural development and poverty reduction, especially through assisting with the improvement of rural socio-economic infrastructure, the direct contribution to sustained poverty reduction and rural economic transformation has been far lower than expected.

Many Government and donor programs have been implemented to tackle poverty in Vietnam. The country has achieved remarkable success in terms of poverty reduction. However, there remains the challenge of extreme poverty amongst ethnic minorities, especially in remote areas. Despite this being a focus area of many donor and Government programs, their impacts have been limited and the results have not been scaled up. The NTPs provide an opportunity to establish a stronger modality for local planning and decision making, which is essential to ensure that resources from poverty programs are channeled into investments that have impact. The Bank, along with Irish Aid, and supported by key donors and civil society organizations through the Ethnic Minority Poverty Working Group, provided technical assistance to CEMA to re-design the P135 program (Program 2 of SPR) which targets the poorest ethnic minority communes. The aim was to incorporate lessons from donor programs such as more decision making and financial devolution to communes, block grant mechanisms, inclusion of non-farm livelihood support, expansion of civil society and private sector as service providers and a better resourced capacity building component.

Despite the considerable resources provided by Government and donor support for the first phase of the NTP-NRD from 2010-2015, the emphasis given to achievement by communes of 19 diverse development targets resulted in a concentration of investments on infrastructure. Based on those experiences, the Bank together with the IFAD provided technical assistance on ways to strengthen the second phase of the NTP-NRD. The results of that TA have both helped to inform the formulation of revised Decrees (some still in draft) that provide the framework and legal basis for the next phase of the NTP.

Along with the above two TAs, the Bank's considerable experience in supporting national rural development programs, addressing rural poverty and disadvantaged ethnic groups in different parts of the world and in Vietnam has been welcomed by Government and has been the basis on which Bank support for the second phase of the NTP has been requested.

The more demand-driven and consultative planning and implementation processes to be introduced through the proposed operation are expected to contribute significantly to the structural transformation process in Vietnam as it evolves from a centrally planned to a market based economy. This would mean closer engagement with the socio-economic development planning (SEDP) process at the province, district and commune level. The operation would also contribute to rolling-out and institutionalizing of reforms embedded in strategic programs of MOLISA, CEMA and the Agriculture Restructuring Program of MARD.

In considering the loan instrument options, the following factors were taken into consideration:

- The proposed development objective focuses on institutional reform and the operation addresses this with a strong emphasis on how to implement already existing policy objectives;
- The State Budget Law 01/2002, QH11 states all loans should be spent for capital expenditures and not for recurrent expenditures;
- Government policy is that loans should not be used to provide additional funding beyond the approved program budget envelopes of the implementing agencies;
- The implementing Agencies recognize that for the next phase of the NTPs, new ways of doing business need to be introduced to improve service delivery mechanisms, if the objective of increasing productivity and decreasing poverty, especially among the poorest communes, is to be achieved. To enable the introduction of such improved ways of doing business, the loan instrument must provide sufficient incentive to encourage stakeholders (technical agencies, provinces, districts and communes) to participate in adopting new ways of doing business;
- Loans should not create PMOs, but rather work through existing systems and institutions; and
- The loan has to be prepared and approved by May 2017, to be considered for IDA financing.

After considering the relative merits of various lending instrument options, coupled with feedback from MOF on Government's reluctance to borrow for capacity building and recurrent operating expenditures and preference for a budget support loan, the preference of Government is for a P4R lending instrument that provides budget support to the two NTPs, with disbursements linked to well defined outputs and institutional reforms to be done under NTP NRD and SPR. There is a merit to linking this with an IPF to provide an incentive framework to encourage the participation of provinces, districts and communes in the institutionalization of improved ways to enhance the efficiency of NTP implementation, building on existing government structures and procedures. Without such an incentive, there will be a risk that the program will lack the necessary incentive for line ministries and provinces to implement the needed institutional and procedural reforms that are needed. This will be further explored with Government during preparation.

## II. Program Development Objective(s)

### A. Program Development Objective(s)

To enhance the effectiveness of service delivery and productivity investments under the National Targeted Programs for New Rural Development (NRD) and Sustainable Poverty Reduction (SPR) through improved planning, implementation and governance.

### B. Key Program Results

Result Areas	Disbursement-Linked Indicators
<p><b>Result Area 1</b></p> <p>Enhanced NTP-SPR and NRD Investment Planning and Prioritization</p>	<ul style="list-style-type: none"> <li>• Development of integrated SEDP-NTP Planning and Investment Prioritization Guidelines and their adoption by at least 75% of the provinces selected for initial phasing –in of the Enhanced guidelines.</li> <li>• Issuance of the detailed instructions and initiate the institutionalization and integration of NTP Planning and Investment prioritization with the Socio Economic Development Planning (SEDP) process of provinces, districts and communes, such that the SEDP becomes the primary planning and decision making tool for all investment prioritization at the commune level for the NTP.</li> </ul>
<p><b>Result Area 2</b></p> <p>Institutionalize Value Chain Analyses (VCAs) as a technical instrument to enhance investment prioritization through the SEDP planning process</p>	<ul style="list-style-type: none"> <li>• Complete at least 8 VCAs (excluding rice) for the key commodities with potential for raising productivity and value addition in each of the selected provinces, and identify for each such province the specific investment priorities and sources of funding and planned time-frame for those priority investments.</li> <li>• Issue the detailed instructions and initiate institutionalization of the use of VCAs a criterion of the SEDP process .for determining priority livelihood and related infrastructure and enterprise support investments under the productive components (of the NTP NRD and SPR)</li> </ul>
<p><b>Result Area 3</b></p> <p>Catalyze investments under the NTP- NRD supportive of the strategic objectives of MARD to provide a more balanced development strategy.</p>	<ul style="list-style-type: none"> <li>• Develop an Incentive Framework as part of the Planning and Investment Prioritization Guidelines that would catalyze investments in; (i) agricultural productivity and value addition (ii) micro &amp; small enterprise start-up &amp; expansion, (iii) clustering to enhance sustainable livelihoods for on-and off farm as well as non-farm productive activities, (iv) support incomes and employment opportunities for women and ethnic minorities, and (v) provision for O&amp;M through the SEDP process</li> <li>• Issue instructions that would institutionalize a more effective incentive framework for development of the</li> </ul>



	rural sector in line with the key strategic priorities of MARD.
<p><b>Result Area 4</b></p> <p>Achieve Commune ownership and cost-effective, sustainable and transparent implementation of all infrastructure financed by NTP-SPR in the P135 communes</p>	<ul style="list-style-type: none"> <li>• Investments are identified through enhanced SEDP planning in at least 75% of the provinces selected for phasing in of the new approach</li> <li>• Issue instructions and initiate the institutionalization of program-wide targets of achieving 100% commune-owned infrastructure under the NTP-SPR</li> </ul>
<p><b>Result Area 5</b></p> <p>Streamlined implementation through the use of harmonized operations manuals to be used under NTP NRD and SPR</p>	<ul style="list-style-type: none"> <li>• Development and use of Harmonized Implementation Guidelines for infrastructure, enterprise and livelihood investments in pilot provinces selected for phasing –in of the harmonized approach</li> <li>• Issue Instructions and promote program-wide streamlining of implementation and standardization of design through use of Harmonized Manuals.</li> </ul>
<p><b>Key Result Area 6</b></p> <p>Operationalize an effective M&amp;E, accountability and learning system for the two NTPs</p>	<ul style="list-style-type: none"> <li>• Develop an M &amp;E system for the two NTPs that includes provisions for linking geo-tagging, geomapping and financial management data as well as regular feedback and learning measures</li> <li>• Develop and adopt a set of Harmonized Operations Manuals for M&amp;E, Geotagging and Geo-mapping</li> <li>• Development of web-based platforms describing key aspects of NTP NRD and SPR including provision for its regular updating that inter alia would provide publically accessible and comprehensive information of the goals and key performance indicators for the two NTPs.</li> <li>• Introduce annual “learning” events at district, provincial and national level that draw upon the information from the above points to exchange lessons learned and to refine Program guidelines and procedures as necessary</li> </ul>
<p><b>Key Result Area 7</b></p> <p>Strengthened governance of the two NTPs, with a focus on accountability and transparency</p>	<ul style="list-style-type: none"> <li>• Apply the Treasury Accounting and Budgeting Management Information system (TABMIS) to enhance expenditure control and financial reporting and accountability in the implementation of the NTP</li> <li>• Pilot the use of geo-tagging for all proposed and approved investments to enhance oversight of the NTP including cross-referencing using a unique reference ID with the TABMIS chart of accounts and the investment database in MPI</li> <li>• Development of web-based platforms describing key</li> </ul>

	<p>aspects of NTP NRD and SPR including provision for its regular updating that inter alia would provide publically accessible and comprehensive information of the goals and key performance indicators for the two NTPs.</p> <ul style="list-style-type: none"> <li>• Develop a prototype for a web-based platform for the two NTPs, which would include: (i) development and use of a community scorecards to provide a feedback loop and social audits in least 75% of the selected provinces; and (ii) provision for grievance reporting, building on the existing legal framework such on complaints and denunciations.</li> </ul>
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### III. Program Description

The proposed operation would build on the experience of the first phase NTP NRD and SPR (2011-2015), and be implemented over the period from 2016-2020. It would address those institutional and procedural issues that constrained outcomes under that first phase program, notably; (i) top-down pressures on achievement of NTP targets rather than localized priority needs; (ii) uncoordinated and often unfunded planning for different programs at the commune level, with relatively little integration into the SEDP; (iii) weak stakeholder consultations, especially integration of ethnic minority and women’s perspectives into prioritization and selection of investments; (iv) with regard to NRD, the emphasis given to infrastructure over agricultural investments and without adequate provision for O &M; (v) limited capacity and disconnect between Planning and Technical staff in the formulation of investment plans and budgets; (vi) production activities lacking a link to value chain and follow through on technical assistance; (vii) limited targeted capacity building and hands on training to commune staff; and (viii) complex reporting requirements with emphasis on outputs rather than outcomes and with little effective M&E.

The initial focus would be on a small and selected number of provinces to phase –in and validate new approaches and to “learn through doing”. The goal would be to build consensus on new ways of doing business and to then initiate the rolling-out and institutionalization of such reforms program-wide, beginning by about the third year of the operation. The reforms and phasing-in of new approaches would be directed to supporting the strategic priorities of MARD, MOLISA and CEMA by focusing on: (a) a participatory SEDP as the basis of investment selection for communes; (b) the rolling out of the simplified, special mechanism for commune owned infrastructure; (c) raising agricultural productivity and value addition, while also supporting livelihoods through on and off- farm and non-farm activities in the poorest areas of the country including those with a high proportion of ethnic minorities; (d) investing in adequate capacity and learning by doing for NTP implementing agencies at the Provincial, District and Commune level as well as for communities; and (e) ensuring robust and timely feedback, learning and accountability mechanisms through participatory M &E, budget transparency, and grievance structures.

Criteria for the selection of provinces for the initial focus and phasing-in of interventions would be that: (i) Those provinces with the highest poverty incidence and of greatest magnitude; (ii) They should have value addition potential for off farm or on farm (agricultural/fisheries) commodities other than rice (based on commodity contribution to provincial GDP); (iii) There should be significant presence of ethnic minorities, and (iv) Opportunities should exist for building on prior or ongoing donor assistance. It was agreed that to ensure the institutional reforms and “new ways of doing business” to be introduced under the operation would be tailored to meet the overall poverty objectives of the NTP, that the pilot provinces will be selected from the poorer Provinces.

The specific focus of activities to be promoted and monitored through Disbursement Linked Indicators would be as follows:

Planning, Investment Prioritization, and Implementation Processes: This would build on existing government procedures while drawing upon the experience, manuals and training provided through various donor-supported activities in Vietnam and internationally. Once established, the reforms and enhanced procedures would be rolled-out to other provinces and institutionalized under the two NTPs. Beginning initially with selected provinces, results under the Credit would be monitored through DLIs, to the development, and phasing-in of the following;

- a) Enhanced Planning and Investment Prioritization Guidelines to define how NTP plans and investment priorities can be more effectively integrated as a part of the Socio-Economic Development Plans (SEDPs) of provinces, districts and communes;
- b) Robust consultation with stakeholders, with a focus on ensuring needs, and indigenous knowledge of ethnic minorities and women are adequately reflected in the commune SEDPs;
- c) Value Chain Analyses (VCAs) for key commodities to identify gaps and opportunities for public and private investment support;
- d) Cost sharing mechanisms to provide the incentive framework for promoting and catalyzing investment in key strategic areas for off farm or on farm (agricultural productivity and) value addition, especially to promote sustainable livelihoods, and clustering of producers in support of small enterprise development and expansion, post-harvest facilities, environmental protection and food quality improvements. Performance allocations and grants for good commune or district planning and implementation would also be explored; and
- e) Harmonized Operation Manuals providing a common set of guidelines on selection criteria for Infrastructure and Enterprise investments, integration with SEDP process, encompassing climate proofed design standards, preparation and approval processes, financial and economic justification, procurement, environmental, accounting, and O& M requirements.

Agricultural Productivity and Livelihood Related Infrastructure: Based on the use of the enhanced Investment Planning Manuals and VCAs to prioritize investments described above, the phasing-in of investments would be initially undertaken in the selected provinces. Such investments, to be monitored through DLIs, would be designed to raise productivity and value addition through agriculturally related infrastructure, including farm-to-market access, produce

consolidation and marketing, inland irrigation and post-harvest facilities, etc. For very poor areas, infrastructure support would be tailored to support livelihood activities described below. Design and implementation of infrastructure investments would be in accordance with the Harmonized Operation Manuals to be field tested and refined through such investments, prior to being rolled-out and institutionalized under the NTPs.

Agriculture Enterprise and Sustainable Livelihood Support: Based on the enhanced incentive framework and Investment Planning Manuals described above, investments would be phased –initially in the selected provinces for clustering of producers for “start-up” enterprise development, as well as for “expansion” activities for existing micro-to small entrepreneurial activities. The analysis would examine the opportunities for ethnic minorities and women to benefit from these value chains. Support would be monitored through DLIs. The focus would be on those areas with agricultural and fisheries potential, and in accordance with investment priorities identified through the planning process based on VCAs. For very poor areas including those with limited agricultural and fisheries potential, livelihood support would be provided to groups of poor farmers and farmer groups to expand income opportunities, productivity, market linkage and produce quality. Such support could be through block grants for group activities which would include a focus on ethnic minorities and women; a departure from the current approach of providing production subsidies to individual households. Based on the experience with these types of investments, Operations Manuals would be refined and the approach would be rolled-out and institutionalized under the two NTPs:

Commune-Owned and Commune- Managed Infrastructure: A key output would be to roll out the simplified, special mechanism for communes to be the investment owner, through the P135 program. This would need the relevant capacity building and training to be delivered to enable both commune officials as well as civil society (e.g. commune supervisory boards, mass organizations, community O&M teams etc.) to institutionalize this approach across infrastructure programs in the communes.

NTP Results Monitoring, Evaluation and Enhanced Governance: A key output of the operation would be the development of an M&E system for the two NTPs, accountability, transparency and learning that would integrate and institutionalize reporting requirements of various concerned implementing agencies.

#### **IV. Initial Environmental and Social Screening**

The Environment and Social System Assessment (ESSA) will need to be completed during preparation. This will involve collection of data and stakeholder consultations. ESSA data collection is tentatively scheduled to be undertaken in July – August 2016, mainly during preparation mission. The ESSA will identify the potential environmental and social effects relevant to the program, assess the capacity for effective management in light of performance to date and of potential effects, and propose measures to enhance environmental and social management capacity and performance.

##### *Environment*

The P4R has been designed to cover environmental category B equivalent investments only, therefore screening to determine environmental eligibility of proposed activities would be necessary. Eligibility would be established based on the proposed locations and type of investments and these are expected to

be determined in the next steps of program development. It is noticeable that the nationwide program covers poor or very poor areas where ethnic minorities live, thus eligibility screening should take into account the possibilities that areas may be located very close or even within protected areas.

With proposed investments such as agriculture-related infrastructure (e.g. farm-to-market access) or community owned/managed infrastructure, it is expected that the potential negative environmental impacts (such as dust, noise, waste generation, traffic disturbance etc.) would be limited, mostly happening during construction phase and manageable by Environmental Codes of Practices (ECOPs). In addition, there are opportunities to promote greening/environmental friendly practices through the program's investments.

### *Social*

The social system assessment would be conducted to understand the extent to which the program would: (i) promote environmental and social sustainability in the program design in order to avoid, minimize, or mitigate adverse impacts and promote informed decision making process relating to the Program's environmental and social impacts; (ii) manage land acquisition and loss of access to natural resources in a way that avoid or minimize displacement, and assist the affected people in improving, or at the minimum restoring, their livelihoods and living standards.; (iii) give due consideration to the cultural appropriateness of, and equitable access to, program benefits, giving special attention to the rights and interests of the Indigenous Peoples and to the needs or concerns of vulnerable groups. The overall social impacts of NTP SPR and NRD are expected to be positive. The team has initially identified the following social impacts/risks that require particular attention in during detailed preparation in the design and implementation of the program:

- i) The programs may yield significant social development outcomes for ethnic minorities living in very poor regions, especially improving the access to basic social services and the well-being of local people;
- ii) Although the impact is minor, it is unavoidable that land acquisition (for small rural infrastructure) will occur. In the experience of NTPs, there is no budget allocated to land acquisition activities, the local authority (commune people's committee) is expected to arrange the site clearance in order to obtain the investment approval. In smaller rural infrastructure, affected households could be asked to donate their affected land in the exchange with the potential benefits of the proposed infrastructure;
- iii) Low level of education of ethnic minority people may prevent them from fully understanding the communication messages related to program benefits, contribution and activities. In isolated communes, it is usually very difficult to communicate with ethnic minority people, especially the elderly and women. Verbal communication (in their ethnic language) is considered as the most efficient way. This might lead to limited participation of community member, notably local people who are direct beneficiaries of the program; and
- iv) There is no specific guidance for all relevant stakeholders in working in ethnic minority communities. The guidance is very important as Vietnam is a multi-ethnic country with 53 ethnic minority groups.

## **V. Tentative financing**

Source:  
Borrower/Recipient

(\$m.)  
USD 40M

IDA		USD 200M
Others (specify)		
	Total	USD 240 M

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