

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

Report No.:PIDA0100014

<b>Program Name</b>	NATIONAL TARGET PROGRAMS FOR NEW RURAL DEVELOPMENT AND SUSTAINABLE POVERTY REDUCTION SUPPORT PROGRAM (NTPSP)
<b>Region</b>	East Asia and the Pacific
<b>Country</b>	Vietnam
<b>Sector</b>	Agriculture and SURR
<b>Lending Instrument</b>	Program for Results
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<b>Parent Program ID</b>	NA
<b>Borrower(s)</b>	Socialist Republic of Vietnam
<b>Implementing Agency</b>	MARD, in collaboration with MOLISA and CEMA
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**I. Country Context**

1. **For the last decade, Vietnam has experienced relatively strong economic growth, with GDP growing at an annual average of around 6.3% leading to Vietnam’s graduation into a middle-income country.** High growth has been accompanied by rapid urbanization, a rising middle class together with improved access to social and economic benefits and services. Nevertheless, about 67% of the population still live in rural areas where living standards are persistently lower. Average incomes in rural areas were about two thirds of average income in urban areas in 2014 for example. In the past, government investments in infrastructure and social services were instrumental in making growth inclusive, but Vietnam now faces shrinking financing options on account of growing fiscal pressures and insufficient domestic private sector participation. Furthermore, the institutions of governance that were adequate to elevate the country to its lower-middle-income level status are now experiencing gaps that need attention, especially as pressures emerge from economic integration, urbanization, an aging population, pockets of extreme poverty and aspirations of a rising middle class.

2. **Poverty rates have dropped remarkably over the past two decades.** The overall poverty headcount based on the national poverty line computed by the General Statistics Office (GSO) and World Bank (GSO-World Bank estimates) dropped from 58% in the early 1990s to an estimated rate of 14% by 2008. A revised series of poverty rates beginning in 2010 shows that poverty continued to decline, from 20.7% in 2010 to 13.5% in 2014. Poverty in rural areas declined from 27% in 2010 to 18.6% in 2014, but it is still nearly five times higher than in urban areas (3.8%). More than 90% of the poor and 84% of the bottom 40% reside in rural areas. Poverty is also concentrated in the Midland and Northern Mountain provinces which account for 36% of the poor.

3. **Poverty is increasingly concentrated in mountainous ethnic minority communities.** Vietnam has 54 recognized ethnic groups of which one group, the Kinh, are an overwhelming majority of the

population (86%). The other 53 Ethnic Minorities (EMs) represent 14% of Vietnam's population. Yet EMs accounted for 64 percent of the poor in 2014, with a poverty rate of 57.8% compared to 6.3% among the Kinh, who are the ethnic majority (GSO-WB estimates). The welfare of EMs has significantly improved over time, but the gap in the incidence of poverty between ethnic minorities and the rest has actually widened. It is now 19 percentage points higher than in 1993, signaling that a disproportionate share of benefits of growth flowed to the ethnic majority. There is substantial variation by ethnic group, with poverty rates ranging from 38 percent for groups in the Mekong Delta, to 93 percent for groups like the Hmong in the northern mountains (VN 2035). It is highest for the smallest six groups living in more isolated areas. The ethnic groups living in the mountains of the North and Central Provinces (Hmong, Muong, Dao etc.) tend to be more physically isolated, are less integrated linguistically and economically, have a poorer resource and asset base and are less organized internally. Apart from income and asset poverty, disparities between ethnic minorities and the Kinh ethnic majority are mirrored in other socio-economic indicators. About 26% of EM peoples do not have access to clean water and 72% lack sanitation. Without targeted interventions, disparities would widen further and ethnic minorities could constitute 80% of Vietnam's poor by 2020 (World Bank 2016).

**4. The concentration of poverty in Vietnam in rural areas, among ethnic minorities and midland and mountainous areas partly reflect low access to economic opportunities due to low economic integration.** This is manifested in low migration rates among ethnic minorities and the high dependence on farm incomes. On-farm incomes constitute 60% of household income of the poor but only 26% of income for the non-poor and constitute 65% of ethnic minorities' income compared to 24% of income of Kinh and Hoa households. Ethnic minorities in particular, derive a smaller share of income from non-agriculture enterprises, which contributed just 4% of their incomes on average in 2014, compared to 18% for the Kinh and Hoa. Despite the greater reliance of the poor on agriculture incomes, they still earn less from agriculture than most non-poor households. Average per capita income from agriculture of the bottom quintile is 25% less than the national average and 34% less than the third and fourth quintiles for example. The concentration of poverty in remote regions, rural areas and ethnic minorities is thus a reflection of not only poor local economic development that limits small enterprise creation and alternative employment opportunities in lagging areas, but also low agriculture productivity among the poor.

**5. Ethnic minorities face additional linguistic and social barriers that limit their opportunities for engaging in the wider economy or fully benefiting from Government programs.** Vietnam has a policy of assimilation of EMs which may have some benefits of national solidarity, but also results in these groups benefitting less from Government programs due to language barriers and social stigma which prevents them from fully participating in local governance decisions or being protected and knowledgeable of the law. EMs thus have low voice and representation. Even in communes where EMs are a majority, the bulk of commune officials, police and technical officers such as extension workers still come from the Kinh ethnic group. Ethnic groups in the highlands tend to be worse-off compared to those in the Mekong Delta like the Khmer who have recognized languages, are more literate, are physically and economically more integrated into the mainstream economy of their provinces, more urbanized and are recognized as part of a larger community that spreads across the national border, into Cambodia and China. Migration among ethnic minorities is low, with only 3.8% living outside their province of origin compared to 12.3% of the Kinh and Hoa. Those that move, tend to go to nearby provinces and within the same regions, meaning ethnic minorities' tend to live and move around regions where opportunities are limited. Given the importance of networks and education in migration, a combination of language barriers, social stigma and poor educational attainment have limited the economic integration of ethnic minorities. There have also been issues around land titles and rights especially with ethnic minorities who are dependent on forest produce, that further threaten their livelihoods.

**6. Vietnam has achieved impressive gains in many dimensions of gender equality, but the**

**situation for ethnic minority women remains a development challenge** EM women overall have lower literacy<sup>1</sup> and less working knowledge of Vietnamese language. The burden of low access to water, health services and roads as well as poor child nutrition, falls disproportionately on them as they are primarily responsible for collecting water and taking care of family health. Their active participation in prioritization of social-economic infrastructure and livelihoods options is central to improving their well-being.

7. **There are emerging concerns about the quality and sustainability of Vietnam's growth model, especially in agriculture.** Despite rapid improvements since the 1990s, labor productivity in agriculture has remained extremely low relative to comparator countries. An issue has been the policy to maintain the dominance of rice in the use of the best agricultural 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, especially in the Mekong Delta which suffers from increasing soil salinity due to water quality issues, poor irrigation practices and excessive chemical use that is also impacting on food quality and the health of the population.

8. **Environmental degradation coupled with the impact of global climate change are a major threat to the short, medium and long-term sustainability of the country's development.** The impacts of more regular extreme weather events, increasing soil and irrigation water salinity, loss of vegetative cover and erosion are particularly severe. In the Mekong Delta, environmental disasters have large impacts on the resource base that has led to the need for alternative livelihoods for both Kinh and ethnic minorities in the area. These challenges, especially for rural areas, are well understood by the Government, as reflected in the recent *Vietnam 2035* report jointly prepared with the World Bank Group.<sup>2</sup> The government is committed to support not only initiatives towards climate resilient agriculture or environment-friendly agriculture and/or livelihoods but to also adapt rural infrastructure quality specifications to address climate variability issues

## **II. Sectoral (or multi-sectoral) and Institutional Context**

9. **Government's key strategy to address development challenges in the rural sector, and among ethnic minorities, has been through the sixteen (16) National Targeted Programs (NTPs) that were implemented over the period 2011-2015.** These 16 NTPs were focused on specific sectors and were implemented through different ministries such as health, education, water, transport, agriculture and rural development. Coordination and efficiency has been a challenge as the sixteen NTPs could finance overlapping activities and were implemented in the same communes. Hence at the commune, district and provincial level, there were multiple and competing requirements and processes that led to inefficiencies in resource use and implementation, and poor monitoring. To address these issues, the government consolidated the 16 NTPs into two NTPs for the next implementation period to run from 2016-2020. This was achieved through a National Assembly Resolution No. 100 issued on November 12, 2015 created two overarching programs, the NTP for New Rural Development (NTP-NRD) implemented under the Ministry of Agriculture and Rural Development (MARD) and the Sustainable Poverty Reduction Program (NTP-SPR) implemented under the Ministry of Labor, Invalids and Social Affairs (MOLISA), with Committee for Ethnic Minority Affairs (CEMA) manages the P135, as a project under

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<sup>1</sup> One study states that where 20 percent of Kinh women indicated that they had less than elementary school education, the number ranges between 41.9 percent and 75 percent among the EM women. (Briefing Note on the Situation of Ethnic Minority Women and Girls in Vietnam, CEMA, UN Women, 2015).

<sup>2</sup> Vietnam 2035: Toward Prosperity, Creativity, Equity, and Democracy. Overview Report. World Bank and the Ministry of Planning and Investment of Vietnam. February 2016.

the NTP-SPR.

**10. The National Target Programs for New Rural Development and Sustainable Poverty Reduction (NTP-NRD and SPR) are central to Government’s strategy for raising rural incomes and productivity, while reducing the significant socio-economic disparities between rural and urban areas.** In a further effort to build synergies between these two programs, a common Steering Committee has been established. This is aimed at ensuring that there is an over-arching common framework and guidelines for these programs which overlap in both activities and geographical areas.

**11. The New Rural Development Program (NTP-NRD) is designed to upgrade services and infrastructure for rural communities across all 63 Provinces of Vietnam.** It encompasses eleven (11) activity groups linked with nineteen (19) economic and social criteria relating to poverty, education, health, transport, water supply, irrigation, livelihoods, agricultural production, markets, culture, energy, environmental issues, communication and security. During the first phase of the NTP program (2011-2015), funding and implementation by many communes was directed primarily to achieve infrastructure targets set for communes, districts, and provinces covering - roads, schools, health centers, and water supplies. Investments to raise incomes, productivity and value addition received less attention. Achievement of these predetermined 19 NTP economic and social criteria qualifies communes, districts and provinces for recognition as having attained “National Rural Development (NRD) status”, a largely symbolic recognition, but highly desirable as a political target for Provincial leaders and also to potentially attract additional funding from other government sources. There have been some gains during the first phase of the NTP-NRD particularly in terms of infrastructure and enhanced local level planning, especially where donor-supported projects were implemented. However, there has been little institutionalization of improved processes and approaches, and limited sustainability after completion of such projects. This has been compounded by inadequate budget provision for operation and maintenance (O&M), especially at the commune level.

**12. The next phase of the NTP-NRD (2016-2020), has four ambitious objectives.** These are: (a) 50% of communes to meet NRD standards (achieve 15 of the 19 preset criteria), and each province, and each city under Central Authority should have at least one district meeting NRD standards (i.e., meeting all 19 criteria); (b) Communes, on average, to meet 15 out of 19 NRD criteria, and no commune to achieve less than 5 criteria; (c) Basic production and quality of life requirements to be achieved for rural citizens in areas such as transportation, power supply and domestic water, schools, and health stations; and (d) income levels to increase by at least 1.8 times compared with 2015. The NRD is implemented through MARD with the budget being assigned directly to the provinces. Hence, investment choices and expenditure allocation decisions are made by the relevant departments at the provincial, district and commune level, with minimal input from the central office. The design of the program requires a significant share of contribution (about two-thirds of the program cost) by the provinces with a third being met by central funds. This has strained provincial budgets, which in the past has resulted in funds being diverted from other programs, and in some poorer provinces, in escalated debt levels with local contractors pre-financing infrastructure deliverables.

**13. The Sustainable Poverty Reduction Program (NTP-SPR) supports infrastructure, livelihoods, basic services and capacity building for the country’s 94 poorest districts and 310 communes in coastal areas through five sub-programs.** Program-135 (P135), is one of its five sub-programs, referred to as projects, which supports 2240 poorest communes and 33,723<sup>3</sup> poorest villages in

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<sup>3</sup> These are based on earlier documents. GoV has just issued a new set of criteria for P135 communes and villages to be effective on December 20, 2016 (Decision QD50/2016/QD-TTg, dated November 3, 2016 on Issuance of criteria for identifying extremely disadvantaged villages and communes in Ethnic Minority and Mountainous Areas 2016-2020. The new list of P135 communes is expected to be available at the end of March 2017.

ethnic minority and mountainous areas. The persistence of poverty among ethnic minorities, whose rates barely changed between 2012 and 2014 (based on GSO-WB estimates), would suggest that the program had a limited impact. While there have been many policies and programs specifically designed to assist people living in remote and disadvantaged areas, there has been a lack of coherence in such policies and in implementation mechanisms. Planning and investment prioritization needs to be strengthened to take account of ethnic and cultural diversity, as well as indigenous circumstances and local needs of the people. Even when provided with assistance, the risks for these vulnerable groups of falling back into poverty are high, due to such factors as non-sustainability of livelihood activities, impacts of climate change, natural disasters and epidemics.

**14. The next phase of the NTP-SPR (2016-2020) also has four ambitious objectives for its area of operation.** These are: (a) lowering the poverty rate by an average of 1.5% per year; (b) improving the livelihoods and quality of life for the poor by increasing per capita income of poor households by 1.5 times from 2015 to 2020; (c) implementing 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 (d) investing in the infrastructure of poor districts, communes and villages with special difficulties following NTP- NRD criteria. The NTP-SPR falls under the overall purview of MOLISA, with the CEMA playing a strong role as it has relatively independent management of Program 135 (P135) which has the highest budget of the five sub-programs referred to a projects<sup>4</sup>. Like the NRD, while the Central level has a function in program design and M&E, all investment decisions and expenditure allocations are made directly at the provincial level, with some devolution to the districts and communes.

**15. There has been good donor coordination in supporting and contributing to the design, consultation and preparation of the two NTPs.** Development partners worked closely with MARD, MOLISA and CEMA through the joint Ethnic Minority Poverty Working Group (EMWG) (donors and civil society) and Vietnam Development Partnership Forum (VDPF) to influence and initiate positive reforms and changes in these two NTPs. The donors that have been primarily supporting P135 include Irish Aid, UNDP, OXFAM, CARE, SDC, and EMWG (NGO representative unit that works with donors on ethnic minority policy). The NRD has primarily been supported by South Korea as it is modelled on the similar Korean rural development program. IFAD and FAO has also provided support to the production activities of NRD and will continue to engage in the current phase of the program.

**16. The government has requested the World Bank's assistance specifically to strengthen the efficiency and impact of both the NTP-NRD and SPR-P135 for the period 2016-2020.** It would therefore build upon the lessons and experience acquired through interventions from a range of multilateral, bilateral and civil society partners, as above. The challenge is that while there are similarities between the NTP-NRD and NTP-SPR in that they both finance infrastructure, production and livelihood activities and some capacity building, there are significant differences in target groups, implementation mechanisms, reporting requirements and institutional responsibilities. The government has recognized the need for harmonization and coordination of the two programs particularly on the ground and has already taken preliminary initiatives by establishing a common Steering Committee and appealing for donor support to assist with harmonization of the two programs, especially at the local levels.

**17. Over the last 15 years, the World Bank's comparative advantage comes from its direct involvement in the lending operations and knowledge activities that contributed to the NTPs.** This include Development Policy Lending Operations (DPOs) for the P135 (SPR) second phase during 2006-

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<sup>4</sup> The NTP-SPR consists of 5 projects, including: (i) Program 30A; (ii) P135; (iii) Production support, livelihood diversification and scaling up of poverty reduction models in non-P30A and non-P135 communes; (iv) communications and information poverty reduction.

2011 with complimentary support from eight (8) development partners which came up with a matrix of policy reform areas of poverty targeting, participation and decentralization, fiduciary transparency and accountability, and monitoring and evaluation. At the same time, the Bank has been financing two community-driven development (CDD) investment operations in the two poorest regions of Vietnam in the Northwest (2010 – 2018) and the Central Highlands (2014 – 2019). The Bank’s contributions, through the EMWG and VDPF, to the two NTPs have been informed by lessons learned from these two CDD operations coupled with results from the previous DPOs

### III. Program Scope

18. **The PforR operation would be implemented in 18 targeted Program provinces covering both NRD and SPR/P135 communes**, with the view to developing and consolidating the institutional reforms and new ways of doing business. These could then be subsequently “rolled-out” to other provinces under the NTP-NRD and NTP-SPR as experience is gained. The selection of the Program provinces was based on the following technical criteria: (a) poverty rate; (b) share of ethnic minorities in a province; (c) number of P135 communes; and (d) vulnerability and magnitude of losses and damages from environmental and natural disasters. Additional criteria considered to identify the provinces include: (a) presence of complementary World Bank and other donors providing technical assistance and related investments; (b) representation of the four prioritized regions for poverty reduction (i.e., Northern Mountains, Central Coastal, Central Highlands and Southwestern); and (c) capacity, commitment and interest of provinces to participate in the operation.

19. **The PforR operation will cover only those activities of the NTP-NRD and NTP-SPR/P135 that focus on improving rural livelihoods, capacity building, and planning and implementation capacity of the NTPs, with an added emphasis on coverage of ethnic minorities.** Thus, the program will cover four of the 11 components (main activities) of the NTP-NRD, and all three components of the NRD-SPR/P135. The four contents of the NTP-NRD are those that focus on: (a) planning; (b) socio-economic infrastructure development; (c) investments to support production development, enhance livelihood opportunities, promote diversification and rural economic structure transformation; and (d) capacity building and monitoring and evaluation. These areas support the achievement of specific and measurable results associated with 8 of the 19 NTP-NRD criteria<sup>5</sup> associated with investments designed to raise incomes and value added productivity through on and off-farm activities (i.e. NTP-NRD Criteria No: 1: Planning and Implementation; 2: Transport; 3: Irrigation; 7: Rural Infrastructure for trading and commerce; 10: Income; 11: Poor Households; 12: Rural Labor; and 13: Production Organization. These four NTP-NRD components are also aligned with the components of the P135 (see Table 1). The PforR also aims to promote initiatives towards climate resilient infrastructure (including for rural roads), climate-smart agriculture cropping (for mitigation benefits), climate-resilient cropping options (as adaptive measures), and environment-friendly livelihood practices. The resilience and mitigation/adaptation measures are part of the livelihood subprojects under content 3. One of the criteria for the inclusion of provinces is the degree of vulnerability – which builds into the program the need for climate resilience.

**Table 1. Overview of the PforR Operation**

Selected Activities from the Government Program		
Attribute	NRD	SPR-P135
PforR DO: align with	Supporting socio-economic	Achieving sustainable poverty reduction

<sup>5</sup> Prime Minister Decision 1980/QĐ-TTg, dated 17 October, 2016, on the issuance of the national criteria set for new rural communes 2016-2020.

parts of the Overall Government Program DO	infrastructure and production organizational arrangements to link agriculture with industry	and income generation for EM communities
PforR: Covers the following Components of the Overall Government Program	1. New Rural Development Master Planning	Since the planning process is proposed to be harmonized, NRD Component 1 funding would be used for integrated planning of both NTPs
	2. Socio-economic infrastructure development (e.g., commune and village roads, infield irrigation canals) markets, trade, etc.)	1. Support for infrastructure investment in extremely disadvantaged communes, borderland communes, commune safety zones, and/or extremely disadvantaged villages.
	3. Production development aligned with agricultural restructuring, rural economic structural transformation and income increasing for people through value chain integration, extension services, and training of rural workers, agriculture production reforms.	2. Support for production development and livelihood diversification and replication of poverty reduction models to extremely disadvantaged communes, borderland communes, communes in past revolutionary safety havens, and/or extremely disadvantaged villages.
	11. Enhance capacity for New Rural Development implementation, program monitoring and evaluation, communication on New Rural Development	3. Strengthen capacity for community and grassroots-level officers in extremely disadvantaged communes, borderland communes, communes in past revolutionary safety havens; and/or extremely disadvantaged villages.
PforR Geographic scope	18 targeted Program Provinces: Cao Bằng, Hà Giang, Lào Cai, Bắc Kạn, Điện Biên, Lai Châu, Hà Tĩnh, Quảng Bình, Quảng Trị, Thừa Thiên Huế, Quảng Ngãi, Ninh Thuận, Bình Thuận, Bình Định, Kon Tum, Đắk Lắk, Sóc Trăng, Trà Vinh.	
	157 Districts	157 Districts
	2236 Communes	1044 Communes
Implementation period	2017-2020	2017-2020
IDA Share	USD 200 million out of the total PforR program cost of 1,833.1 million	

20. **The PforR operation will only cover those social-economic infrastructure investments (within components 2 and 1 of the NTP-NRD and NTP-SPR/P135 respectively) that are linked to rural livelihoods and production.** These are the most essential to deliver a more sustainable approach to rural livelihoods and more diversified production options for on-farm and non-farm income generating opportunities. These are the main areas that support the PDO of the operation, consistent with the government's goal of increasing income and reducing poverty in the 5- year period of the implementation of the program. Typical investments would include small scale infrastructure for enhancing agricultural productivity and value added such as: village- level farm-to-market-roads, small bridges (fixed and suspension), foot paths and pathways, small-scale gravity, pump and drip irrigation, shallow wells, small water impounding, village-level, small-scale fish landings, village-level small jetties, postharvest facilities (drying floors, small storage sheds, market facilities), plant nurseries, seed production facilities, tree planting, composting/organic fertilizer production, livestock breeding and distribution facilities, milking facilities, small-scale commodity processing equipment for village –level processing, etc. For rural livelihood activities, this would cover on- and off-farm activities related to crop production, egg/chicken production, pig fattening, milk production, aquaculture, coffee, coconut and vegetable oil processing, rubber processing, broom and basket making, weaving, handicraft production, fruit and nut packaging and preservation, village level juice processing, product hauling & consolidation, marketing, and small scale processing of agricultural products. A full list of specific activities within the boundaries

of this operation are identified from Decree 1600/QD-TTg (NTP-NRD) and Decree 1722/QD-TTg (NTP-SPR). The financial management system has the capability of capturing separately the expenditure on each of these 11 activities.

21. **The PforR operation will also cover capacity building activities of the two NTPs (within components 11 and 3 of the NTP-NRD and NTP-SPR/P135 respectively) given the need to operate in a more harmonized, decentralized and an increasingly participatory manner.** The PforR operation will harness the activities in these components to build capacity in communities, government staff, private sub-project contractors, and other stakeholders in the targeted Program provinces with regard to: (a) implementation of enhanced manuals on infrastructure, livelihoods and planning; (b) harmonized monitoring and reporting and its implementation through focus on training and skill improvement of commune and district staff; (c) setting up mechanisms to draw on appropriate technical skills, especially as linked to training for livelihood options; and (d) cross learning and building on successful pilots from donor-financed programs.

22. **The PforR operation will cover the planning and M&E activities of the two NTPs (within components 1 and 11 of the NTP-NRD and component 3 of NTP-SPR/P135) in order to strengthen their governance, improve efficiency and enhance the focus on credible measurement of results.** Activities would include: (a) integration of NTPs' infrastructure investment decisions in integrated SEDP plans (as against stand-alone decisions made independently for NRD and SPR); and (b) harmonized procedures at the commune level in terms of technical standards and specifications, implementation and procurement procedures, O&M procedures, financing and reporting on targets and achievements.

23. **The share of the overall Government Program expenditure proposed to be covered by the PforR operation is expected at US\$1,833.1 million.** Table 2 shows the breakdown between the two NTPs and also the share of the various funding sources.

<b>Source</b>	<b>NRD (VND billion)</b>	<b>P135 (VND billion)</b>	<b>Total (VND billion)</b>	<b>Total (USD million)</b>	<b>% of Total</b>
<b>State direct budget</b>	<b>9,455.0</b>	<b>2,287.0</b>	<b>11,742.0</b>	<b>515.5</b>	<b>28.1</b>
Central Government	3,091.0	2,287.0	5,378.0	236.1	12.9
Local Government	6,363.0	0.0	6,363.0	279.3	15.2
<b>Others</b>	<b>29,927.0</b>	<b>90.4</b>	<b>30,017.4</b>	<b>1,317.7</b>	<b>71.9</b>
Credit	17,720.0	0.0	17,720.0	777.9	42.4
Private sector	5,907.0	0.0	5,907.0	259.3	14.1
Community	3,938.0	0.0	3,938.0	172.9	9.4
Other programs	2,363.0	0.0	2,363.0	103.7	5.7
<b>Total Program Financing</b>	<b>39,382.0</b>	<b>2,377.0</b>	<b>41,759.0</b>	<b>1,833.1</b>	<b>100.0</b>
<i>Of which: capital expenditure</i>	<i>37,686.0</i>	<i>1,664.0</i>	<i>39,350.0</i>	<i>1,727.4</i>	<i>94.2</i>
<i>    operational expenditure</i>	<i>1,696.0</i>	<i>623.0</i>	<i>2,319.0</i>	<i>101.8</i>	<i>5.6</i>
<i>    discretionary</i>	<i>0.0</i>	<i>90.4</i>	<i>90.4</i>	<i>4.0</i>	<i>0.2</i>

**Notes:** Estimated based on the provincial allocations and plans for NTP-NRD 2016-20 and central budget allocation formula for NTP-SPR-P135. The provincial allocations are adjusted for the scope of activities in the program by applying the historical share (16 percent) of expenditures on activities within the scope of the program based on TABMIS data for 2011-2015. Operational and capital expenditures are calculated using the ratios in Decision 1722/QD-TTg for P135 and the central budget allocation for NTP-NRD 2016-20, plus the permitted allocations for O&M (6 percent of the capital budget, assuming that bank credit, private sector and community contributions are part of the capital budget) and operating expenses for communes and provincial committees (up to 1 percent) in Decision 1600/QD-TTg.

24. **The proposed IDA Credit of US\$ 200 million would contribute about 10.9 percent of this amount.** The proposed NTP funding would be sourced from the Central Government (12.9 %, including IDA contribution), provincial sources (15.2%), and other sources including credit (the latter share being 42.4% of total PforR expenditures). The central budget allocation for the NTPs are made by the MPI, MARD (for NRD), CEMA (P135) and MOLISA (SPR), the provincial Peoples Committees have discretion to make spending decisions and implement the activities within their jurisdiction.

#### **IV. Program Development Objective(s)**

25. **The Program Development Objective** is to improve the delivery of, and access to, investments for increasing agricultural productivity and enhancing livelihood opportunities within the Program area. The PDO focuses on: (a) increasing investment in agriculture productivity and livelihood opportunities. In case of NRD, it specifically embraces the following parts of the NRD overall objective: economic infrastructure and production organizational arrangements to link agriculture with industry; and in case of SPR/P135, it specifically espouses the following parts of the SPR overall objective: achieving sustainable poverty reduction and income generation for EM communities; and (b) drawing from the assessment of the program, it focuses on improving a range of program delivery aspects that have constrained the impact of the two NTPs in realizing higher agricultural productivity and access to sustainable livelihoods opportunities. These relate to governance, processes, planning, implementation, and M&E of the NTP-NRD and NTP-SPR/P135.

26. The “delivery” attribute of the PDO relates to the planning, governance, implementation, and monitoring aspects of the program, and therefore reflects the process improvements that are sought to be achieved through the PforR operation. The “access” attribute of the PDO relates to the number of productive and livelihoods sub-projects covered under the PforR operation and its outreach to poor households. The four Key Results Areas therefore clearly focus on: (a) Improved Program Planning and Governance; (b) Improved Quality of Program Investments; (c) Increased Access to Program Investments; and (d) Improved Program Monitoring and Management.

27. **The PDO indicators are as follows:**

- (a) Number of targeted Program provinces with approved NTP-NTR and NTP-SPR/P135 plans integrated with Provincial Plans
- (b) Share of Households with additional (diversified) income sources
- (c) Share of beneficiaries (ethnic minorities and women) satisfied with access and quality of infrastructure and production development and livelihood diversification subprojects

#### **V. Environmental and Social Effects**

27. Given the scope of the Program, the types and modest scale of individual investments, the geographic focus, and previous central Government experience with Bank projects, no significant adverse impacts on the environment or on affected people are anticipated.

##### ***Environment***

28. The investments under the proposed Program are expected to bring about many positive environmental

impacts and to improve living conditions in target areas as a result of access to improved infrastructures and environmental services, as well as connectivity. The benefited communities would have safer and better access to basic infrastructure, their living conditions would be improved. Participatory planning approaches, embedded in this Program's design, would also help to empower communities. The Program will also cover important improvements to implement environmental aspects of the government program.

29. The anticipated adverse environmental effects of the investments provided under this Program are not expected to be significant considering: (a) the small scale and relative scatter of physical investments; (b) that the proposed works would take place in or very close to established villages; (c) the limited geographic footprint of planned works; and (d) that mitigation measures are known, including principally that proper care and oversight is undertaken during construction, production activities to improve livelihood, or cultivation.

30. The potential adverse effects are generally at moderate level, well known and understood by the implementing authorities. It is expected that these effects will be manageable with well-established mitigation measures introduced into this program in the form of ECOP (Environmental Codes of Practices).

31. There are a number of protected areas in the country such as national parks, nature reserves, conservation areas, historical sites with communities living within. These areas are normally very important in terms of ecological balance and biodiversity, and are environmentally sensitive. Interventions, if any, in to such areas may lead to potential significant adverse environmental impacts. The Government has policies and guidelines to protect these areas, although these are not always adhered to.

32. The preparation and implementation of commune-level investments has been and would continue to be decentralized to district and commune levels. However, local level environmental management capacity is limited due to constrained resources availability. Therefore, while the impacts and risks are limited, environmental performance of small civil works have been dependent on the limited capacity and environmental awareness of project owner and implementers. Good environmental guidelines, community monitoring and participation would be needed to enhance environmental performance of small investments under the PforR.

33. Related to production support under the PforR, the related environmental impacts and food security would be managed by the existing management system and network set up by the Government at central, provincial, district and commune levels such as the Plant Protection, Agricultural Extension, Natural Resources and Environment, in coordination with mass organization such as Farmers Association, and support from external sources.

34. Number of sectoral guidelines with environmental aspects incorporated has been issued by rural sectoral management authorities such as MARD and MOLISA. However, program handbooks prepared during the previous phase of NTP and SPR have not incorporated adequately environmental guidelines thus the incorporation of environmental considerations into program implementation have been limited.

35. The enhanced operational manuals to be issued by both NTPs will have detailed screening criteria to mitigate negative environmental impacts and promote positive environmental outcomes. These procedures will help screen out the negative investments listed above such as in protected areas or those supporting alcohol and tobacco. These activities are currently permitted in the NTPs. It is expected that these manuals will encourage a systems change in the NTPs to adopt better practices and thereby bring about a positive change in the NTP implementation system. For the purposes of the PforR program, only activities that pass the screening will be included in the verification sample.

## **Environmental Recommendations**

36. **Recommendation 1:** The enhanced manuals developed for this phase of the NTPs will detail environmental guidelines outlining the required screening and management procedures to enable program implementers at local level to mitigate against these risks. The implementation of the guidelines and procedures in the manuals will be monitored through WB supervision and the validation protocol of the PforR. The enhanced manuals will be issued by Government for both NTPs. Investments would be screened to exclude the following: (i) locations within protected areas such as national parks, nature reserve, biological conservation areas, cultural-historical sites etc. listed in MONRE Decision no. 1107/2015/BTNMT; (ii) Activities that support the production, processing, marketing of beverage, alcohol, drugs, tobacco; the works primarily serving the army and defense forces. Only activities that are eligible will be included in the verification sample of the PforR.

37. **Recommendation 2:** Program Manuals incorporate adequately environmental guidelines. For infrastructure, the procedures to be followed from planning to implementation should be described. For production support, the options/approach to be considered and/or implemented as part of investment process should be included. The manuals should also guide communities to apply the lessons learnt and good examples on rural environmental management from the past in relevant investments.

38. **Recommendation 3.** Promote community participation into subproject planning, implementation, monitoring, supervision, maintenance to enhance sustainability of the works.

39. **Recommendation 4.** Training and technical assistance on the application of program environmental requirements and procedures (specified in OM) should be provided to program implementers. Adequate human resource should be allocated to monitor and report on the implementation of the measures to avoid, mitigate the potential environmental impacts and risks during program implementation (e.g. screening for environmental eligibility, incorporation of ECOP into bidding/contractual documents, incorporation of pollution control in production support activities, etc.). The implementation of such avoidance, mitigation measures must be reflected in relevant sections of the Program Progress Report. An environmental consultant could be contracted at central level to provide the training, technical assistance and environmental monitoring in the Program.

## ***Social***

40. The Program would have significant positive impacts on the socio-economic development in the program areas, including its contribution to poverty reduction, income generation and accessibility to better productive related (commercial and productive) infrastructure. In terms of negative impacts/risks, the overall rating is moderate, taking into account a number of aspects such as land acquisition impact, cash/labor donation of beneficiaries, the consultation/participation process of local people (notably ethnic minority people in the program area), and the program's institutional arrangements.

41. Since the program will cover only productive/commercial (for NTP-NRD) and small basic (for P135/NTP-SPR) infrastructure, the magnitude of land acquisition impact is expected to be minor with no physical relocation. Land acquisition, compensation payment and resettlement implementation are always the responsibility of the Government, particularly at the provincial and district levels. However, all land affected in a NRD investment is supposed to be donated by local people (no budget for compensation), while under SPR, compensation fund might be allocated for land acquisition activities. Although local authorities always classify land donation for NRD investment as voluntary, it is very easy to turn into involuntary donation as affected households are subject to peer pressure from other community members. Land donation is frequently done on a verbal agreement basis with no written and signed documents. This requirement for contribution of land, coupled with the common practice requiring contribution of labor

and finance from communities, is recognized as a risk, especially in the NRD program. This risk cuts across all communities, but is enhanced in the context of poorer ethnic minority communities.

42. The Program execution (especially NRD) also involves and encourages contribution from local people in terms of cash/labor donation. Although the contribution of local people has been institutionalized with regard to its limits, in many cases, local authorities disregard the limit.

43. In the context of the large presence of ethnic minorities impacted by the NTPs, Vietnam has a legal framework that guides Ethnic Minority affairs. Specifically, article 5 of the 2013 Constitution confirms: (a) the equality of all Ethnicities living in the territory of Vietnam; (b) prohibition against discriminated behaviors; (c) rights of Ethnic Minority people toward their languages, scripts, traditional culture and custom; and (d) comprehensive policies of Vietnam to enable the development of Ethnic Minority areas. On the participation of local communities (notably ethnic minority people), the assessment confirmed that these two programs have a strong focus on and directly target ethnic minority people on several counts. However, while these two programs strongly focus on the question of “what” (to finance) in EM regions, they are very thin on the question of “how” (to adapt procedures to these groups), especially how to make sure that all program activities are culturally appropriate. Participation of EMs in decision-making processes remains limited (UNDP, 2006; WB 2009, 2012; MDRI 2014). Experience in other governmental funded programs have consistently indicated that “top-down” decisions and “one size fits all” solutions are not appropriate for EMs and limit the impact of existing programs.

44. It is noted that people’s participation throughout the program cycle is relatively weak, although the related regulations are relatively well structured. This aspect becomes more important as the program will be implemented in targeted Program provinces with substantial presence of ethnic minority (EM) communities.

45. NTP-NRD and NTP-SPR have different institutional arrangements in which social impacts/risks are not properly tracked, recorded and reported. No staff time is allocated in both NRD and SPR to oversee the programs’ social aspects. This compromises and weakens the program’s achievement in the area of social development agenda in general and in reflecting/capturing the social impacts in program reports in particular.

## **Social Recommendations**

46. **Recommendation 1:** The enhanced manuals developed for this phase of the NTPs will detail the social guidelines outlining the required screening and management procedures to enable program implementers at local level to mitigate against these risks. These procedures will include the Guidelines on Voluntary Land Donation as well as the procedures for consultation, grievance channels and specific guidelines regarding engaging with ethnic minority groups. The manuals will be issued by Government for both NTPs. Activities will be screened for land acquisition procedures, with emphasis on minimizing land acquisition, providing adequate compensation and application of the Voluntary Land Donation guidelines. Currently, the NTP programs permit practices such as with land donation and weak consultation that can have negative social outcomes. It is expected that the improved provisions in these manuals will encourage the NTPs to adopt better practices and thereby bring about a positive change in the NTP implementation system. For the purposes of the PforR program, only activities that pass the screening will be included in the verification sample.

47. **Recommendation 2:** Develop and implement the community/citizen engagement guidelines to enhance people’s participation and consultation, especially for Ethnic Minorities. The guidelines will enable their meaningful participation and consultation in every step of the Program implementation, including planning, design and implementation, compensation, resettlement and rehabilitation measures

in land acquisition. The guidelines will an approach that is community-driven, transparent, gender sensitive and will support the use of appropriate local language. Given that the program will be implemented over a large geographic area with many different ethnic groups, specific guidance will be provided at the local level for each ethnic group. This will ensure that programs, especially livelihood and community infrastructure investments are culturally appropriate. In addition, the guidelines shall fully operationalize existing Vietnamese Legislation with respect to Ethnic Minorities through a process of free, prior, and informed consultation.

48. **Recommendation 3:** The Program should encourage the following social development measures: (a) ensuring unskilled (and to the extent feasible, skilled) labor is sourced locally; (b) mobilization of community (especially women) in maintenance activities or community based supervision. The Women's Union and other relevant grass root organizations (CBOs, NGOs, pagoda, church etc.) should be incorporated into the institutional structure of implementation to assist in promoting gender-sensitive community mobilization, participation and grievance redress channels.

49. **Recommendation 4:** To the extent possible, efforts must be made to ensure that program interventions are culturally appropriate. This is very important given the diversification of ethnic groups living in the Program areas. Where relevant, it is necessary to deliver a training to contractors working in the area having a high presence of EM peoples.

50. **Recommendation 5:** Arrange adequate staff time to ensure that social-related issues (land acquisition, land donation, gender mainstreaming, EM participation, community complaints/feedback) will be properly tracked, monitored and reflected in the relevant program report for documentation and tracking. In addition, a database on the program's beneficiaries, disaggregated by gender and ethnicity should be maintained and monitored.

51. Communities and individuals who believe that they are adversely affected as a result of the Operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org)

52. **Consultation and Disclosure.** The first ESSA consultation, which was conducted on February 17, 2017 was well-participated by representatives from 18 targeted Program provinces including top leaders of the People's Committee, Department of Agriculture and Rural Development (DARD), Department of Labour, Invalids and Social Affairs (DOLISA), Provincial Department of Ethnic Minorities, along with ministries including MOF, MOLISA, CEMA, and MARD. Among others, participants show their greatest attention to the issue of land acquisition in NTPs activities and the application of ESSA recommendations with regards to land donation and people's contribution. In general, participants hesitate to apply compensation to land affected by NTPs activities, given land donation practice has been widely applied in these two programs, especially under NTP NRD. The second round of consultation will be conducted during Appraisal mission scheduled in March 2017. Disclosure of ESSA will also be conducted at the same time from the Bank and Government side. The first public disclosure will be prior to Appraisal with an updated ESSA disclosed following Appraisal.

## VI. Financing

Government Financing	USD 1,633.1 million
Bank Financing :	USD 200.0 million
Total Financing Requirement	USD 1,833.1 million

## VII. Program Institutional and Implementation Arrangements

53. **At the national level, overall responsibility for the NTP-NRD and SPR and for reporting on the progress of the Programs to the National Assembly is that of the Ministry of Planning and Investment (MPI).** Oversight of both the NTP-NRD and SPR would be through a Central Program Steering Committee (Central-PSC) chaired by the Deputy Prime Minister and with representatives from MPI, MOF, MOC the implementing Agencies (MARD, MOLISA and CEMA), as well as from other line ministries. The Central-PSC organization and functions are mirrored at Provincial, District and Commune level with Program Steering Committees Steering Committees. At provincial, district and commune levels, the PSCs are chaired by the Chairman of the Peoples Committee.

54. **The oversight Agencies (MPI and MOF) provide the guidance and resources for management, usage, payment and liquidation of NTPs' budget for implementation of approved NTP subprojects.** Specifically, MPI leads in developing mechanisms for management and implementation of the NTPs with emphasis given to decentralization and empowerment at local levels. MOF leads and coordinates with other ministries to review, develop and issue the financial management mechanism guidance for the NTPs throughout the 2016 – 2020 period. It determines the allocation of recurrent budget for the NTPs, coordinates with MPI in allocating medium term and annual investment budgets, and consolidates for approval the allocation scenarios of cost estimates for annual state budgets (investments and recurrent).

55. **MARD has been designated as the Lead Implementing Agency for both the NTP-NRD and SPR and coordination with the other Implementing agencies MOLISA and CEMA.** Directions as to how the NTP-NRD is to be implemented are detailed in Prime Minister Decision Approving the NTP-NRD No. 1600/ QD-TTg. The National Coordination Office (MARD-NCO) would provide the Secretariat functions for the Central-PSC and be responsible for executing the various directions and decisions of the Central-PSC. The MARD-NCO is hosted by MARD although the budget for the NTP-NRD is separate from that of MARD. The Program would not establish any Project Management Unit, but rather would depend upon the MARD-NCO which has functioned throughout the first phase of the NTP-NRD. The MARD-NCO would have responsibility for day-to-day implementation of the NTP-NRD at the national level, and through the Departments of Agriculture and Rural Development (DARD) at the Provincial, District and Commune levels where staff are designated with NTP-NRD responsibilities.

56. **MOLISA is responsible for leading and coordinating with other ministries, agencies, and Peoples Councils in implementing the NTP-SPR/P135.** Directions as to how the NTP-SPR/P135 is to be implemented are detailed in Prime Minister Decision Approving the NTP-SPR No 1722/QD-TTg. In accordance with that Directive, MOLISA is responsible for implementing several sub projects, scaling-up the poverty reduction models a monitoring and reporting on poverty reduction. CEMA through its P135 Coordinating Office, is however responsible for managing and guiding the implementation of sub-project within the P135 communes. At the Provincial level, the SPR is managed by the Department of

Livelihoods, Invalids and Social Affairs and at the District and Commune level by the Division of Labor and Social Affairs.

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