

# Socialist Republic of Viet Nam

## Country Programme Evaluation

### Executive Summary

1. **Background.** This country programme evaluation (CPE) reviewed all projects in IFAD's supported programme in Viet Nam in order to enhance learning, while only the projects approved from 1999 onwards were considered for the ratings. The evaluation assessed the results and impact of IFAD-funded activities in the country and generated findings and recommendations to serve as building blocks for the next country strategic opportunities programme (COSOP) for Viet Nam.
2. The evaluation concludes that, over the last 18 years, IFAD has contributed significantly to the Government of Viet Nam's efforts to reduce poverty. As the only international agency working exclusively with the rural poor in Viet Nam, IFAD is recognized both by its peers and by the Government as having promoted local-level decentralization and participatory decision-making. In particular, the Fund has worked with the central and provincial governments to support the devolution of responsibility for designing and implementing development programmes, which has contributed to strengthening their ownership and sustainability. Moreover, broadly speaking, operations financed by IFAD have led to increased agricultural productivity, rural incomes, and social and human capital.
3. In the last four years, IFAD's approach in Viet Nam has shifted from a predominantly area-based development model to one with greater market-oriented focus. Overall, this new focus has been effective in supporting the Government's poverty reduction strategies in targeted provinces, although the CPE found a number of important market challenges that will need to be addressed in the next COSOP. For example, small farmers seeking to move from subsistence farming to commercial production find it difficult to obtain credit because savings and credit groups are unable to satisfy the increasing demand for financial services in rural areas. Moreover, with Viet Nam's new status as a middle-income country the availability of concessional funding decreases while vulnerability and poverty among ethnic minorities is persistent.
4. The CPE considers the overall performance of the portfolio to be satisfactory, particularly in terms of support for decentralization, capacity-building, participatory planning, gender mainstreaming, small-scale infrastructure, development of savings and credit groups, and the improvement of rural livelihoods through production for markets. This support remains relevant, and should continue to form the essential building blocks of the country programme. The portfolio's effectiveness with regard to major programme areas such as decentralization, small-scale infrastructure, market integration and microfinance is satisfactory overall, despite persistent poverty among ethnic minorities. In terms of efficiency, much has been achieved since 2000 with regard to project implementation and management, learning and capacity-building at the provincial, district and commune levels, as well as in planning, coordination, monitoring and evaluation (M&E), and direct supervision and implementation support. There is still room for improvement, however, particularly in terms of measuring results and establishing a standardized M&E system for the entire country programme. Among other things, such a system would facilitate annual reviews of COSOP implementation, and mid-term and completion reviews of the country strategy.
5. Overall, the country programme has had a positive impact on household income and assets, mainly through increased levels of agricultural productivity and investments in livestock. Vocational training has been important for income diversification and for promoting non-farm employment for rural youth. The impact on gender equality and on the quality of women's lives and their empowerment is

positive partly because funding was earmarked for programmes to assist poor rural women. The building up of the capacity of local institutions and policy support for the sustainable use of land for production forestry is also judged to be positive. While projects have supported activities related to natural resources management, the environment and climate change, the IFAD-Government approach to such problems has mostly been ad hoc and project-based, and is not part of a systematic and strategic approach – especially in view of the enormous challenges the country is facing in this respect.

6. IFAD's strategy for ensuring the sustainability of benefits in Viet Nam has been essentially one of pursuing long-term engagements in the provinces covered by the operations it has funded. A number of provinces have undertaken follow-up projects with IFAD support; but even without these interventions, the infrastructure and agricultural production components of projects are likely to be sustainable. However, according to reports on some of the completed projects, other activities – such as participatory approaches, savings and credit groups and women's empowerment – may be at risk, depending on whether or not the necessary capacity is available. The main elements of successfully piloted approaches have generally been integrated into government policies and programmes at the provincial and national levels. However, there is room for improvement in alignment with government strategies and programmes, implementation support and development of appropriate exit strategies to sustain the benefits generated.
7. The Viet Nam country programme has been innovative in its use of participatory processes, focus on decentralization and support for the capacity-building of line agencies at the provincial level. Features of successful programme approaches (e.g. increased use of participatory approaches in planning and project implementation, the design and modalities of Programme 135 for supporting poor communes in ethnic minority and mountainous areas, and government strategies for public-private partnerships in rural infrastructure and agribusiness) have been mainstreamed into government policies and programmes at the provincial and national levels. However, IFAD has not thus far worked with the larger international financial institutions or the private sector to scale up projects or specific aspects thereof.
8. Since the establishment of the IFAD-Government partnership in 1993, the central government has provided adequate support to the Fund's country programme. However, in the past, the Government preferred that IFAD financed projects covering non-contiguous provinces with very different economic and social conditions, which created problems in terms of design and implementation, including coordination, service delivery, monitoring and supervision. The CPE also noted that, compared with other lower middle-income countries, Viet Nam provides less counterpart funding as a component of total project costs, which rather contradicts the country's new economic status. On a positive note, provincial governments continue to demonstrate solid ownership and commitment, and have promoted the effective participation of line departments in project implementation.
9. IFAD's performance as a partner is well appreciated by the Government and other organizations. The country office and outposted country programme manager have helped raise the Fund's profile by participating in COSOP formulation, and by designing, implementing and effectively supporting programmes through the promotion of knowledge-sharing. Direct supervision and implementation support are both more effective, and are appreciated by all local partners. However, outposting the country programme manager has not so far yielded the expected benefits as far as non-lending activities (policy dialogue, knowledge management and partnership building) are concerned.
10. The CPE found there has been some impact on policies, but policy dialogue at the national level has been limited. In general, IFAD's partnership with the Government

has been good, but not so with bilateral institutions and multilateral development banks. Knowledge management has emphasized a broad range of learning issues by means of a variety of products, but there is still room for improvement in documenting the benefits of knowledge-sharing. In general, insufficient resources and attention have been devoted to non-lending activities and such activities have not been adequately linked to the Fund's lending portfolio in Viet Nam. IFAD will need to focus more substantially and strategically on policy dialogue at the central level, and to engage actively in partnerships that go beyond implementation support, i.e. with partners that can be allies in such policy dialogue on broader strategic issues that can impact on the country programme as a whole and be agents for scaling up successfully piloted initiatives. This would be in line with IFAD's moving forward in the adoption of its new business model, which entails, inter alia, more engagement in policy dialogue.

### **Recommendations**

11. The CPE makes the following recommendations to serve as building blocks for preparation of the next COSOP for Viet Nam.
12. **A strengthened market-oriented approach.** The programme's shift from an area-based multisector approach to supporting value chains has brought more benefits to vulnerable groups such as landless labourers, farmers with very limited land and unemployed youth. As the limited but evolving public-private partnerships developed thus far show potential for achieving better results on the ground, the CPE recommends that this approach be strengthened in the next COSOP. However, because the value chain approach is still relatively new and unknown in many of the areas covered by IFAD-funded operations, a thorough analysis of selected value chains (e.g. rice and coffee) will be needed before new small-scale agriculture interventions are designed for rural areas. Ways and means of bringing ethnic minorities into the development process, at different stages of the value chain, will also need to be explored. Moreover, given the somewhat limited investments in business development services and limited partnerships with the small- and medium-scale private sector, the CPE recommends that IFAD and the Government encourage the strategic engagement of the private sector in supporting this building block in the next COSOP.
13. **More comprehensive geographic coverage.** The CPE recommends that the Government and IFAD should move towards a model that combines, for example, three to five contiguous provinces as part of a single IFAD-funded operation. This would facilitate a move from the current area-based development activities to a more thematic model covering wider geographic areas and more poor people, and allow IFAD to focus on issues such as forestry development in upland areas, environmental protection in coastal zones, and private-sector development in provinces with large ethnic minority populations.
14. **A more favourable credit environment for smallholders.** Microfinance and the role of the banking system are features of the current programme that will need to be strengthened to support the market-oriented approach. Current solutions mainly involve funding subsistence-level production. Overall, the programme has had a very limited impact on bank operations and lending policies for supporting farmers and the rural poor. The CPE recommends that IFAD should make every effort to address this major gap in rural finance in any future policy dialogue with the Government.
15. **A more strategic knowledge management programme.** There is a growing realization – particularly as Viet Nam moves further into middle-income country status – that IFAD's knowledge, and its ability to impart that knowledge on a wide scale, will be a significant aspect of its future contribution to Viet Nam's development. Efforts as a result of the knowledge management component of the 2008 COSOP were a step in the right direction, and IFAD should build on those

efforts in the years ahead. With regard to the next COSOP, IFAD and the Government will need to concentrate on the programme's non-lending activities and grant capacity in order to fill specific knowledge gaps, such as the need for a holistic approach to the development of ethnic minorities in upland areas, better understanding of youth migration and opportunities for rural youth. The CPE also recommends that knowledge-sharing be strengthened by establishing a standardized, countrywide M&E system, which would make it possible to follow up progress in implementing the results-based COSOP and fine-tune the evolving country strategy.

16. **Strengthening partnerships.** IFAD will need to rethink its approach to partnerships with the private sector and donor community in Viet Nam. It is recommended that IFAD should continue to participate in the One UN Initiative, but more selectively, concentrating on agenda items that are in line with its resources and comparative advantage. On the other hand, enhanced partnering with the Asian Development Bank, the World Bank, the International Finance Corporation, major bilateral donors and NGOs could contribute to more effective synergies and/or to the scaling up of the successful models supported by IFAD over the last 18 years. The analytic capacity of the larger international financial institutions and their role in supporting the Government's donor coordination mechanisms could provide significant leverage, both for IFAD's lending programme and for its non-lending activities.
17. **Increased counterpart funding from the Government.** During formulation of the next COSOP, IFAD should reach agreement with the Government on increased levels of counterpart funding, especially in view of the country's status as a middle-income country and the number of its poor rural people. The COSOP might also include broad criteria for determining the proportion of such counterpart funding (e.g. minimum percentage of total projects costs) in future IFAD-supported projects in Viet Nam. The CPE recognizes, however, that counterpart funding is a matter for IFAD Management to consider at the global level, including the establishment of related guidelines (currently missing).
18. **A strategic approach to the conservation of natural resources and the response to the impact of climate change.** IFAD should scale up its involvement in issues relating to the environment, natural resources management and climate change. While it is true that other donors are heavily engaged in these areas, IFAD is in a unique position to explore the impact of potential environmental damage and the effects of climate change on the rural poor. It is also well placed to introduce measures against erosion or salt water intrusion or in support of forest cover rehabilitation. This should be an important feature of the next COSOP and, possibly, one of the key pillars of IFAD's future engagement in Viet Nam. While these issues are largely peripheral to current programme design in Viet Nam, and are not commensurate with the priority given to such concerns, they are important features of government policy and programmes. IFAD could make a valuable contribution to developing local-level approaches that support the efforts of both the Government and the international community.
19. **A strengthened IFAD country office.** The CPE believes that IFAD's country office in Viet Nam has made an important contribution to the overall success of its country programme. Looking forward, policy dialogue at the central level and the scaling up of successful innovations will need to be more systematic, anchored in IFAD's operational field experience, and in line with the structures and processes of the Hanoi Core Statement (Paris Declaration on Aid Effectiveness). IFAD will need to provide its country office with clear guidelines on prioritizing this agenda, in line with IFAD's new business model and an enabling work environment, i.e. appropriate human and financial resources.