

## profile

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### VIET NAM COUNTRY PROGRAMME EVALUATION

## Supporting decentralized rural development

**Since 1993, IFAD has financed 11 projects and programmes in Viet Nam. All such interventions have followed an area development model, in support of diversifying the rural economy. Development planning and administration in Viet Nam is highly decentralized: while provincial governments lead the process, there is substantial devolution of responsibility to the district and commune levels. Since its first loan to Viet Nam, IFAD has helped build up the capacity of all such levels in 11 provinces with high concentrations of rural poor, most of which with large ethnic minority populations. Provincial project management units for IFAD-supported interventions have taken the lead in coordinating the services of provincial administrations to promote local-level developmental activities.**

The country programme evaluation (CPE) for Viet Nam was undertaken by the Independent Office of Evaluation in 2011 to assess the results and impact of IFAD-funded operations in the country and to generate findings and recommendations for the next result-based country strategic opportunities programme for Viet Nam, planned for 2012.

### Main evaluation findings

IFAD first began operating in Viet Nam when the Government was implementing decentralization and the projects it funded were extremely timely in demonstrating the role that local governments could play, even in the poorest provinces with relatively low capacity, in promoting effective rural development and reducing rural poverty. The programme focused on persuading smallholders to produce new commodities using novel techniques, and provided the extension support farmers needed as well as small amounts of credit. The CPE found that this produced a positive impact on household income and assets, mainly through increased levels of agricultural productivity and investments in livestock. The CPE found highly effective the creation of commune development funds, enabling communes to determine their own priorities and facilitating the construction and maintenance of small scale rural infrastructure. Microfinance was mainly provided

with the establishment of savings and credit groups, which have been reasonably successful in enabling members to manage and allocate small loans among themselves.

But in light of Viet Nam's significant rapid economic transformation and global integration, production for the market also requires that farmers be able to reach the market or alternatively that traders be able to reach the farmers. The country programme then, starting in 2006, gradually initiated a shift towards greater emphasis on integration with markets. The intensified investment in value chain development in recent projects, of which a key element is the development of demonstration models of commercial crops, has brought more benefits to vulnerable groups such as landless labourers, farmers with very limited land and unemployed youth. The CPE found that the investment in rural roads has brought farmers closer to markets at reasonable cost, and local traders can more easily reach the farmers to buy their produce. Farmers participate in common interest groups for producing commercial crops, supported by seed money from IFAD and linked with small loans from savings and credit groups or banks for the investment required. Vocational training is becoming a more important feature of IFAD support for the value chain. Rural enterprise development started relatively late but has added considerable value to the IFAD-supported country programme and to the country's own rural poverty reduction efforts.



Rural women working in a cottage workshop in Tuyen Quang Province.

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Despite this positive progress in adapting the country programme to the market-driven Viet Nam economy, there are significant challenges with regard to promoting market integration through developing rural enterprises and value chains that provide market services and generate local employment opportunities. For example, farmers and small processors lack the formal business connections needed to ensure that their produce is available on a reliable basis, and are unable to make the quality controls that would enable them to move up the value chain. This challenge has been particularly marked in areas dominated by ethnic minorities owing to the Government's and IFAD's limited knowledge and understanding of the specific opportunities and challenges involved in these areas. Furthermore, the requisite infrastructure and demand/supply links are not always in place, especially in remote areas populated by ethnic minorities. The CPE found that IFAD-supported projects and programmes in Viet Nam have not invested enough in business development services, and that partnering with the small and medium-scale private sector, which could impart marketing skills and know-how to smallholders and ethnic minorities, has been limited to date.

Policy dialogue has been mainly at the provincial and local levels, based on IFAD's experience in promoting decentralization, participation, land use, and capacity-building of farmers' organizations. This approach has contributed to some policy impact but needs to be elevated to the national level, especially on a number of key topics including access to rural finance and climate change. Partnership with the government has on the whole been good, even though the Government has allocated insufficient counterpart funding in support of IFAD-financed projects. Partnerships with the private sector and the international financial institutions need enhancing. These partners can be agents for scaling up successfully piloted initiatives and allies in policy dialogue on broader strategic issues — such as credit availability for rural enterprises. Knowledge management has emphasized a broad range of learning issues, but there are still 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.

IFAD's country office in Viet Nam has made an important contribution to achieving good results on the ground. The establishment of a country office with sufficient capacity to support project preparation, implementation and supervision has been broadly successful and should be maintained. Looking forward, policy dialogue at the national level, partnership, and the scaling up of successful innovations will need to be more systematic and supported by appropriate human and financial resources.

## Key recommendations

- Strengthen the market-oriented approach. With recent emphasis on supporting value chains, there needs to be stronger partnership with the private sector and international financial institutions to achieve results in this area.
- Move to a more thematic approach to agriculture with clusters of contiguous provinces that face common problems.
- Create a more favorable credit environment for smallholders, addressing this major gap in rural finance in future policy dialogue with the Government.
- Develop a more strategic knowledge management programme, using grant facilities to fill strategic knowledge gaps.
- Strengthen partnerships with more focus on IFIs which have the capacity to scale up the programmes that IFAD has supported at the local level.
- Increase counterpart funding from the Government. With the move to middle income status, it is appropriate for the Government to provide funding that can leverage IFAD's own contribution.
- Strengthen IFAD country office, with more attention to policy dialogue at the national level, partnerships, and to knowledge management that will be central as Viet Nam moves up in the ranks of middle income countries.

## VIET NAM AT A GLANCE

Population: **86 million (2009)**

Population growth average: **1.3% (2002-2007)**

GDP growth: **5.4% (2009)**

Population living on less than US\$1.25 per day: **21% (2008)**

Human development index: **0.593 (2011)** - Ranking: **128**

Life expectancy at birth: **75.2 years (average 2011)**

Agriculture: **20.9 of GDP (2009)**

IFAD lending since 1993: **US\$257 million**

*Sources: General Statistics Office, Viet Nam; Economist Intelligence Unit; World Bank's International Poverty Line; Millenium Development Goals/Viet Nam Development Goals; World Bank Atlas Methodology (2010); Project and Programme Management System (IFAD).*

### Further information:

Socialist Republic of Viet Nam Country Programme Evaluation, Report No. 2606-VN, May 2012, ISBN 978-92-9072-302-8, Independent Office of Evaluation of IFAD, Via Paolo di Dono, 44, 00142, Rome, Italy. The full report, Profile and Insights are available online at [www.ifad.org/evaluation](http://www.ifad.org/evaluation); email: [evaluation@ifad.org](mailto:evaluation@ifad.org).