

Review of experience of the National Target Program for New Rural Development

Viet Nam

Country-level policy engagement aims to support the development and implementation of national policies that shape the economic opportunities for poor rural people. These case studies illustrate that by utilizing innovative mechanisms for policy engagement, large impacts are achievable with limited resources.

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Issues

Since the introduction of a comprehensive set of economic reforms known as *Đôì Mới* (renovation) in 1986, Viet Nam's economy has sustained strong economic growth. Over the last 20 years, GDP growth has averaged 7.2 per cent per annum, resulting in rapid poverty reduction. The current poverty rate is roughly 21 per cent, and nearly 30 million people have been lifted out of poverty since the 1990s. These achievements have been accompanied by structural shifts in the economy, with greater GDP contributions from industry and construction and declining contributions from agriculture, which fell from 40 per cent of GDP in 1990 to 20 per cent in 2011. The proportion of the labour force engaged in agriculture also shrank from more than 80 per cent in the 1990s to less than 50 per cent in 2012.

Notwithstanding this transition, agriculture continues to make an important contribution to Viet Nam's economic stability. The agricultural and rural sectors have, in recent years, demonstrated solid annual growth of approximately 4.5 per cent due to liberalization and private-sector engagement. The development of the rural economy, however, is still comparatively slow and not sustainable in many areas due to inadequate linkages to markets, limited access to rural finance and the impact of climate change. In addition, poverty remains a major problem in rural areas: the average income per capita in rural areas is less than 50 per cent of that in urban areas, while the rural poverty rate is nearly three times the urban rate, with ethnic minority communities disproportionately affected.

The NTP-NRD is the Government of Viet Nam's primary instrument for implementing its rural development strategy. Launched in 2010, the NTP-NRD established 19 development indicators – or criteria indicative of improved well-being across a range of sectors – that more than 9,000 communes should strive to meet. The NTP-NRD requires communes to assess their status against the criteria, supports commune-level plans that identify priority development needs against the criteria and, in principle, channels the necessary funding to meet these investment needs. While needs assessments have been completed in most communes, experience with local-level planning is mixed.

At the end of 2013, the government approached a range of development partners, seeking support and financial assistance for a further expansion and roll-out of the NTP-NRD. It was agreed, however, that prior to making any commitments, there would be merit in carrying out a review and assessment of the implementation experience under NTP-NRD to date, and in assisting the government in drawing on this analysis to subsequently formulate a revised NTP-NRD for 2016-2020.

Actions

With resources made available under the IMI, IFAD joined forces with the World Bank to support a detailed assessment of the NTP-NRD strategy. The assessment covered both the ongoing NTP-NRD and the relevant experience of rural development programmes/projects in Viet Nam and elsewhere financed by other development partners. It identified concepts/elements that could assist the government in defining

Summary

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Key objectives: To contribute to the strengthening and refocusing of Viet Nam's National Target Program for New Rural Development (NTP-NRD) planned for 2016-2020 by reviewing the implementation experience under the first phase (2011-2015) and drawing out the lessons learned.

Lessons and successes:

The IMI-supported review and workshop assisted the Government of Viet Nam in drawing lessons from the first phase of NTP-NRD and reflecting on its implementation approaches under a new phase. Further support from IFAD and other development partners will be critical, however, to enable the government to make the proposed shifts in approach. Lessons include realizing the importance of working with other IFIs to strengthen IFAD's messages and get them recognized, and drawing on a solid base of local experience as a precondition for effective policy dialogue.

and implementing an expanded NTP-NRD for 2016-2020. The support was conceived within the context of the broader dialogue between the development partners and the government, and the indication from the Ministry of Agriculture and Rural Development (MARD) that it would take into account the lessons learned.

The assessment, conducted in late 2015/early 2016, confirmed the importance of rural development for the structural transformation process and the continued relevance of NTP-NRD. It concluded that, despite the lack of evidence from the first phase, NTP-NRD had upgraded rural infrastructure and services, and contributed to economic and social improvements in rural Viet Nam between 2010 and 2015. However, it could have been more effective, equitable and sustainable; and ultimately it had contributed little to solving the critical challenges of rural economic transformation.

The assessment pointed to four main issues: (a) local development priorities and needs were not adequately reflected in commune-level objectives and plans, which typically responded to national targets and frequently resulted in the financing of unnecessary and unproductive investments, and inadequate attention was given to issues of maintenance; (b) despite NTP-NRD's objective of transforming agriculture, insufficient attention was given to value chain development and enterprise creation; (c) the lack of dedicated staff and institutional capacity at all levels resulted in weak support for NTP-NRD planning and implementation; and (d) the lack of a rigorous performance monitoring system prevented proactive programme management and impact assessment.

Taking into account these principles, it was proposed that the new phase of NTP-NRD (which has been allocated US\$3 billion of central-level financing, and an additional US\$6 billion of local resources to be rolled out in all 64 provinces) comprises two main components: (a) local socio-economic development, supporting commune-planned and -owned investments in locally prioritized infrastructure and services; and (b) rural value chains, providing capacity development for value chain analysis and provincial- and national-level competitive grants. A midterm review would provide an opportunity for learning and adjustment of the implementation approach.

In March 2016, these findings and recommendations were presented at a major workshop, co-hosted by MARD and IFAD, and bringing together some 90 participants from the government (MARD, the Ministries of Planning and Investment, the Ministries of Health and Education, as well as the NTP-NRD coordination offices at the national and provincial level) and the development partners (World Bank, Asian Development Bank, Food and Agriculture Organization of the United Nations and Australia's Department of Foreign Affairs and Trade). Many of the issues raised were acknowledged by the government and the recommendations were broadly endorsed. It was agreed that these would be synthesized in a set of proposals to be presented to the Prime Minister, with a view to obtaining political endorsement through a Prime Minister's Decision on the new NTP-NRD 2016-2020, which would open the way to its reformulation.

Following the workshop, the IFAD/World Bank team submitted its findings and recommendations to the government. The text of the Prime Minister's Decision did not go as far as was hoped in reforming the NTP-NRD in line with the agreements reached at the workshop, though it did lead to the reworking of the contents of the 19 criteria and introduced flexibility in their application at the provincial level. Decentralized planning at the commune level is confirmed, even if it was not mentioned in the Decision as it is already covered in other legislation and decrees.

Following the policy work, IFAD continues to work closely with MARD to facilitate effective implementation of the new approaches. To consolidate the process, IFAD Viet Nam is currently preparing for a small-scale country grant to MARD for the documentation and institutionalization of IFAD-generated best practices, which can be replicated in all provinces through the NTP-NRD. In addition, it will also explore the scope for using existing IFAD-supported projects as pilots for testing these approaches and drawing out lessons for further informing future implementation.

Lessons learned

Important progress has been made in assisting the Government of Viet Nam in drawing lessons from the first phase of NTP-NRD and recognizing the importance of reorienting it, even though perspectives on the best way forward differ. Where there is a shared vision, further support from IFAD and the other development partners remains critical to enable the government to make the two major proposed shifts in its approach towards locally-driven, participatory development planning and differentiated support to agricultural value chains.

Two other lessons from the initiative are worth highlighting. First, it is important to work with other IFIs to strengthen IFAD's messages and get them recognized: while IFAD had a thorough understanding of good commune-level practices, it was through collaboration with the World Bank and the Asian Development Bank that these messages could be leveraged up to the highest policymaking authorities. Second, it is difficult to engage in policy dialogue without a solid base of experiences on the ground. IFAD was able to successfully influence the direction of the second phase of NTP-NRD only because it had the commune-level planning and investment mechanisms in place and could provide substantial comments – from both international specialists and, critically, local practitioners with a good understanding of the realities on the ground.



International Fund for
Agricultural Development

Via Paolo di Dono, 44

00142 Rome, Italy

Tel: +39 06 54591

Fax: +39 06 5043463

E-mail: ifad@ifad.org

www.ifad.org

www.ruralpovertyportal.org

 ifad-un.blogspot.com

 www.facebook.com/ifad

 instagram.com/ifadnews

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