

VIET NAM

COUNTRY PORTFOLIO REVIEW AND EVALUATION

I. INTRODUCTION

1. **The CPRE Mission¹**. The International Fund for Agricultural Development (IFAD) is currently funding four area-based rural development projects in Vietnam: the Participatory Resource Management Project in Tuyen Quang Province (PRMP), the Ha Giang Development Project for Ethnic Minorities (HGDPEM), the Agricultural Resources Conservation and Development Project in Quang Binh Province (ARCDP) and the Ha Tinh Rural Development Project (HTRDP). In the year 2000, IFAD and the Government of Viet Nam agreed to carry out a joint country portfolio review and evaluation (CPRE) in order to: (i) develop a series of lessons learned and recommendations for improving IFAD's present and future programmes in the country; (ii) identify policy issues to be raised with the Government for its consideration; and (iii) provide inputs for reviewing, as appropriate, IFAD's country strategy and opportunities paper (COSOP) for Viet Nam.

2. The CPRE was conducted in a highly participatory manner, in line with the Fund's new approach to evaluation, and was the first Asia Division (PI)/Office of Evaluation and Studies (OE) exercise of this nature. The rationale for the joint approach was based on the consideration that since all four projects financed by IFAD in the country were still ongoing, the undertaking of a CPRE by OE alone would not appropriately address some of the implementation-oriented issues requiring immediate follow-up to ensure better execution, impact and sustainability of activities. In short, a joint CPRE was deemed more suitable as it would not only draw lessons from experience to provide inputs for updating the COSOP and improve the design and performance of future activities, but also support the streamlining and amelioration of current operations.

3. The exercise was planned and implemented to promote maximum local participation and ownership. To start off the process, a brief reconnaissance mission was undertaken to Viet Nam in May 2000 to assess the expectations and priorities of the counterparts vis-à-vis the CPRE. That was followed by the commissioning (in June 2000) of internal self-evaluation implementation assessment studies by each project, offering project staff the opportunity to express their perceptions about the opportunities and constraints of the Fund's intervention. The results of these studies were discussed with the CPRE mission during a stakeholders' workshop organized at the outset of the mission's fieldwork (July 2000). The World Bank's recently established Global Distance Learning Network was utilized to organize a video conference (Rome-Hanoi) in mid-September 2000 to provide interim feedback to stakeholders and discuss the first draft CPRE report and lessons learned. The video conference brought together in Hanoi some 25 persons from the four provinces, including representatives of mass organizations (Viet Nam Women's Union (VWU) and farmers' associations), government staff, provincial district authorities, other donors, cofinanciers and project staff. It also provided a unique opportunity for IFAD to listen to the comments and suggestions of a range of stakeholders prior to finalizing the CPRE report.

¹ The CPRE mission consisted of: Prof etc. Vo-Tong Xuan, mission leader and agriculture specialist; Ms Lalitha Jayaraman, Institutional and Management Specialist; Ms Ranjani Murthy, Rural Sociology and Gender Specialist; Mr Yusuke Higaki, Rural Infrastructure Specialist; Mr Frands Dolberg, Livestock Specialist; and Mr Roger Norman, Environmental Specialist. Mr Mattia Prayer Galletti, IFAD Country Portfolio Manager and Mr Ashwani Muthoo, the concerned IFAD Evaluation Officer participated in the exercise at various stages.

4. The Fund's new approach to evaluation demands that an in-country workshop be held at the end of each Country Programme Evaluation in order to finalize an agreement at completion point (ACP)². The formulation of an ACP would therefore mark the completion of the Viet Nam CPRE exercise. Therefore, a CPRE workshop was held in Hanoi on 13 March 2001. The principal objective of the workshop was to engage in a discussion with a broad range of IFAD partners in Vietnam so as to derive an understanding on the key lessons learned and recommendations from the CPRE. The Workshop was also a forum for exchange of recent experiences among the four IFAD-supported projects in Viet Nam, the Government of Viet Nam, as well as various other partner organizations. The workshop was held at the Ministry of Planning and Investment and approximately 40 people participated in the session, including representatives of the four IFAD-supported projects, several ministries from the Government of Viet Nam, Provincial Peoples Committee, Viet Nam Bank for the Poor (VBP), Farmers' Association, VWU and others.

5. The methodological structure of the workshop took the form of plenary presentations and discussions, as well as deliberations in two working groups. IFAD had requested the Asian Institute of Technology (AIT)³ to facilitate the workshop discussions, and to prepare a summary of the day's main observations and suggestions. Full interpretation (English – Vietnamese – English) was necessary throughout the plenary session as well as in the working groups. The background documentation had been translated into Vietnamese by the Government, and distributed before the session together with the English version. In this regard, the workshop revealed the importance of cross-checking the quality of documents, as a number of misunderstandings on concepts and content arose during the discussions due to inaccurate translation.

6. There was a general consensus on the five lessons learned and recommendations proposed in the draft ACP. However, the ACP was revised to include the productive set of comments generated during the workshop. The five lessons learned and related recommendations concern the following topics:

- Rural Financial Services
- Gender Mainstreaming
- Decentralization and Bottom-up Development
- Forestry and Environment Protection
- Participatory Adaptive Research and Extension

7. Each lesson learned also includes a short personal case story captured by the CPRE mission. These provide the reader with an opportunity to benefit from the perceptions and opinions of the beneficiaries about the interventions supported by the Fund.

8. The CPRE's ACP contains three main recommendations that have a wider policy implication and need to be addressed to ensure more efficient and effective poverty reduction and rural development efforts. The first policy recommendation concerns the elimination of the subsidisation of the rural financial sector. The CPRE concluded that below-market interest rates and related subsidies are not financially sustainable, nor do they provide for an operationally effective means of reaching ethnic minorities, women and other most underprivileged people. Concurrently, the CPRE recommends that the government extend operations of the Viet Nam Bank for Agriculture and Rural Development and of the Viet Nam Bank for the Poor (VBP) in support of the poorest people in rural areas. The second policy recommendation concerns the need to issue land titles in the names of both husband and wife.

² The ACP contains an understanding among the main evaluation partners on the key lessons learned, recommendations and follow-up actions from the exercise.

³ AIT was represented by Professor Fredric Swierczek from their School of Management in Bangkok, as well as the Deputy Director of AIT Viet Nam.

This will contribute to the empowerment of women and give them an incentive to make greater investments on their land and engage more actively in development initiatives, such as those related to micro-enterprise development or other income generating activities. The CPRE also recommends that the government promote increased representation of women at all levels in key decision-making positions in rural development public institutions. The third policy issue relates to the need for the government to delegate greater financial authority to provincial, district and commune levels for rural development programme planning, implementation and disbursements. This will not only enhance efficiency, but also increase ownership, transparency and accountability at the lowest levels. There are also other policy recommendations, but these are considered the most pressing ones.

9. **The Country.** Viet Nam stretches for some 1 650 km on the eastern seaboard of the Indochina Peninsula between latitudes 8° and 23° N. Its total land area of 331 689 km² includes two large deltas: the Red River Delta in the north, and the Mekong delta in the south. Much of the country, however, is mountainous and only 21% of the land area is cultivated. Viet Nam's population, estimated at 78.1 million, is growing at an average rate of 2.1% per year. Over 80% of the population is rural, concentrated in the two main rice growing deltas. More than half of the Vietnamese population lives in the north. Administratively, it is divided into 61 provinces.

10. Macroeconomic and structural reforms initiated in the late 1980s have stabilised the economy and yielded unprecedented levels of income growth. The growth rate of real GDP has averaged 8.4% per annum between 1994 and 1998. The real GDP growth and the inflation rate for the year 2000 are estimated at 7% and 2%, respectively. Despite this, Viet Nam is only at the beginning of a long and difficult transition from a low-income economy. It is still one of the poorest countries in the world with GNP per capita of about USD 370. A recent new analysis of poverty in Viet Nam⁴ indicates that the share of the population in poverty fell from 58% in 1993 to 37% in 1998. Poverty was reduced in both rural (66% to 45%) and urban (25% to 9%) areas. The gains in poverty reduction have been largely due to rapid growth, improvements in agricultural productivity and in the small service sector. However, poverty remains an overwhelmingly rural phenomenon (80% of the poor are farmers), and remains highest in the three poorest regions of Northern Uplands, Central Highlands and North Central Coast. Poverty is particularly deep in the upland regions where IFAD operations are primarily focused. Whilst the contribution of agriculture to GDP has declined from 41% in 1990 to 28% in 1995, agriculture remains a key economic activity, providing a livelihood for around 80% of the population and contributing almost one-third of exports. The agricultural sector grew at an annual rate of 4.4% during 1990-96. Cultivated land is scarce with only around 0.1 ha of land per person, one of the lowest rates in the world. Some 85% of the cultivated area is under annual crops, 65% under rice. The area planted to perennial industrial crops, particularly rubber and coffee, expanded rapidly in the 1980s. Paddy is the dominant crop, and the growth in its production has turned Viet Nam from a net importer in 1988 to the world's second largest exporter of rice. Yield growth has been facilitated by the increased availability of inputs and consumption of chemical fertilizer per cropped hectare rose from under 40 kg in 1982 to 135 kg in 1992, still below the level of usage in China and the Koreas whose manpower/hectare ratios are comparable with Viet Nam's. Animal husbandry has tended to be a sideline activity carried out by farming families and the methods of production are traditional. However, the number of pigs rose by 6.3% annually (1991-95) and the quality of pig meat improved. Over the same period, poultry output also rose by an annual 6.8%. However, consumption of meat per head of the population remains low indicating considerable potential for livestock products.

11. **Policy Framework.** The three fundamental policies of the Government for comprehensive renovation of the society and economies are: the shift from a centrally planned to a market-oriented

⁴ The World Bank, Viet Nam Development Report 2000, Attacking Poverty, Country Economic Memorandum, 15 November, 1999.

economy with state management; the democratization of social life, with the aim of developing the rule of law in a State of the people, by the people and for the people; and the implementation of an open door policy and the promotion of peaceful and constructive relations with all countries. Key targets outlined in the 1996-2000 five-year plan included an average GDP growth rate of 7-8% p.a. over a 30-year period, the eradication of hunger by 2000 and the elimination of poverty by 2010.

12. The Government's two major poverty alleviation programmes, the National Programme on Hunger Eradication and Poverty Reduction (HEPR) and the 1715 Poor Communes Programme, both encourage the delegation of implementation authority to the provincial and district/commune level. The main focus of HEPR activities is the provision of subsidized credit for the poor, with approximately 30% of the budget of the National Target Programme and more than 90% of the National Target Programme for Employment being utilized for the provision of credit through the Vietnam Bank for Agriculture and Rural Development (VBARD) and the VBP. The VBP has set a target of providing up to VND 2.5 million per household to 90-95% of poor households by the end of the current financial year, with repayment terms of up to three years and without requirements of collateral. The Government has identified 1000 of the 1715 poorest communes for application of the infrastructural development elements of the HEPR, and VND 410 million has been disbursed to each of the communes.

13. In addition to HEPR programmes, the Government spends around 14% of its budget on the protection of vulnerable groups. Most of the allowances are provided to war veterans and families who made contributions of life and labour during the war. Social insurance programmes covers only 11% of Viet Nam's labour force (mainly from the government sector or urban areas) and the benefits of the Social Guarantee Fund for Regular Relief reach only small numbers due to weak eligibility definitions. Similarly, the amounts available from the Contingency Funds for Pre-Harvest Starvation and Disaster Relief designed to alleviate the effects of typhoons, floods and crop failures are inadequate.

14. The funding level of the National Target Programme for HEPR and 1715 Poor Communes Programmes is low in light of the target set. The long-term funding strategy and plan for HEPR are lacking, and only 38% of the total funding for the National Target Programme for HEPR is expected to be funded by the central Government. The HEPR-related programmes also lack sufficiently clear targeting strategies and focused approaches to assist the specific groups of poor who are trapped in poverty or the disadvantaged ethnic minority communities. The credit delivery system for the poor and the financial sustainability of the credit components of HEPR programmes are underdeveloped. Since Vietnam does not have a unified and nationally agreed poverty line and poverty assessment methodology, coordination among government agencies and ministries involved in poverty reduction tends to be weak.

15. **IFAD's Development Strategy in Viet Nam.** IFAD's strategy is to support ongoing government programmes for improving the living conditions and welfare of rural people, while directing the Fund's resources to the poorest provinces, where other donor interventions are limited. IFAD's principal aims can be summarized as follows:

- building local institutional and managerial capacities and increasing the role of the in-country resource group;
- enhancing the participation of local stakeholders in project design and implementation;
- giving priority to rural employment and income generating activities;
- investing in the construction and rehabilitation of infrastructure, including rural roads;
- providing support to ethnic minorities while protecting their cultural identity;
- supporting the rehabilitation and diversification of agriculture in areas until now neglected or prone to natural disasters;
- helping the country to develop sustainable financial mechanisms for lending to the poor.

16. This strategy has entailed support for areas with a high incidence of poverty and malnutrition, this support being directed as far as possible to the poorest districts of the target provinces, with special attention given to ethnic minorities, women-headed households, and farmers living in remote areas with a poor natural resource base. The main focus has been on strengthening food security through increases in on-farm and off-farm production including food crops, cash crops, livestock, fisheries, food-processing, petty trade, and handicrafts. The sub-sectoral interventions include the rehabilitation of natural resources, soil conservation and water management, provision of rural financial services and rural infrastructure.

17. **Project Design and Objectives.** IFAD-funded projects in Viet Nam aim at the establishment of self-reliant and sustainable models of rural development, designed for replication by the Government and the stakeholders. The primary objectives of all the IFAD-supported projects are to improve the incomes and living standards of poor rural households and to increase their participation in the development process. Specific objectives include improved food security for the target group, a reduction in isolation, improved access to markets and to drinking water, and the protection and reforestation of the environment.

18. The selection of project activities is based primarily on four factors:

- community priorities;
- a central focus on poverty alleviation;
- technical, financial, economic and social criteria appropriate for implementation by the relevant agencies and other stakeholders;
- well coordinated delivery of services in line with current Government policies.

19. Project activities have focused on agricultural production, rehabilitation of essential infrastructure such as roads, bridges and irrigation schemes, agricultural extension and animal health services, and the provision of micro-finance for the poor. In Ha Giang province, education and health components were added.

II. IMPLEMENTATION PERFORMANCE

20. **Implementation.** Projects have been implemented under the overall responsibility of provincial people's committees (PPCs). The implementation arrangement envisaged for PRMP differed somewhat from that of the other three IFAD-financed projects in that a project management unit (PMU) was established for this purpose. The PMU was to be supported by a working group at the provincial level, comprising representatives of various provincial technical departments. In the other three projects, project coordination units (PCUs) were created to coordinate implementation at the provincial level. Actual implementation is the responsibility of provincial technical departments, which operate through district-level structures. However, during implementation, IFAD altered the management structure of the PRMP by transferring implementation responsibility from the PMU to provincial implementation agencies.

21. **Financial and physical progress.** The year 2000 is the final year of the Tuyen Quang PRMP (6 August 1993 – 31 December 2000) but the cumulative expenditure to June 2000 has reached only 53.2 percent of the total project target. The project is therefore requesting a no-cost extension until 2001 to complete the physical targets, as well as a second phase of the project beyond 2001. The ARCDP in Quang Binh (25 March 1997 – 30 June 2002) had achieved 68.6% of the appraisal target by June 2000. The project has proposed a fund reallocation of SDR 3 million for the creation of a Community Development Fund, with SDR 2 million of this sum to be diverted from category IV (credit). The total disbursement under the HGDPEM in Ha Giang (27 April 1998-31 December 2003) stood at 37% of the appraisal target as of June 2000. This project has also proposed a reallocation of funds for the creation of a Community Development Fund. The HTRDP in Ha Tinh completed its first year of operation in February 2000. A total of 4.3% of the appraisal target had been achieved at this date.⁵

22. In all four projects, delays in disbursement have been common, resulting in a shortage of funds to meet the outstanding payments for goods and services. The main cause of the delays has been the complex and lengthy procedures for withdrawal applications, which require processing by two different sections of the Ministry of Finance as well as by the United Nations Office for Project Services (UNOPS) and IFAD, followed by the disbursement of funds to the project account through Vietcom Bank, the Ministry of Finance (MOF) and the provincial treasuries. In general, progress in the construction of roads and small-scale irrigation schemes has been better than that of micro-irrigation schemes. For the latter, disbursement has been problematic for various reasons, such as the remote location of construction sites and cumbersome administrative processes.

23. Replenishment of the Project account takes on average 84 days. Submission of the withdrawal application by the Provincial Project Coordination Unit (PPCU) through MOF and UNOPS and IFAD's subsequent replenishment of the special account in the Vietcom Bank takes on average 53 days. From there, the transfer to the project account at the provincial treasury takes another 31 days. In addition, procedures being followed in implementing schemes from identification to execution stage are excessively elaborate and time consuming. Proposals for irrigation schemes in Quang Binh ARCDP have to pass through 14 steps. As a result of the elaborate verification procedure of planting, the tending/maintenance of plants under the sand dune fixation component tends to get delayed by 3-3.5 months each year.

Crops and Extension

⁵ Details of disbursement by project can be found in Annex I.

24. **Background.** One of the remnants of the centrally planned economy is the top-down order to oblige farmers to meet economic targets set by a higher authority. This type of economic management not only reflected the imposition of lowlanders' thinking onto ethnic minorities but, more seriously, it has resulted in failures in hunger eradication and poverty alleviation programmes. Agricultural extension was believed to be a capitalist tool, hence not to be used in Viet Nam. Instead, if it was necessary for a particular technology to be practised by farmers, an order from above would be sufficient, a process called "technology transfer." Only in 1993 was agricultural extension officially recognized by the Government through the establishment of the Department of Agricultural Extension under the Ministry of Agriculture and Rural Development. At this time, there was very few staff trained in this specialization and capable of giving guidance to provincial activities. Therefore, each province organized its own extension unit under the Department of Agriculture and Rural Development (DARD), to carry out technology transfer programmes in the same top-down way as before. Based on the socio-economic studies made prior to project formulation in Tuyen Quang, IFAD realized that a genuine extension system should be introduced to improve the livelihood of the farmers in remote areas. Appropriately, the Tuyen Quang project was named the Participatory Resource Management Project, being the very first province-wide project to apply participatory rural appraisal (PRA) in determining the appropriate contents of extension activities in each commune. If PRA were correctly utilized, the extension worker would have an accurate idea of which technologies were needed by his local farmers, then he could find out where such technologies were available. If the technology existed, he would introduce it to his local people, and if not he would inform his immediate superior, the district-level extension agent, who would in turn ask the provincial-level officer to request the Provincial Agriculture, Forestry and Fisheries Adaptive Research Centre to carry out the necessary research. Hence, the design of the Tuyen Quang agricultural extension system, is based on the PRA team at both provincial and district levels, which must include specialists in agronomy, livestock, fisheries, forestry, and economics. As this was the first systematically organized extension programme based on PRA, the IFAD project designed a step-by-step handbook on PRA methodology and extension programmes. A similar approach was later applied to the ARCDP, HGDPEM and HTRDP. Each of the projects was based on two assumptions: the availability of competent staff to execute the project; and the existence of sufficient financial resources with which to train the required staff at the start of the project.

25. During implementation, none of the projects started with the appropriate training of human resources to the level of competence required by project design. The delay was attributed mainly to unavailable external funding, but it appears in part that the provinces may have thought they could manage without training. The Tuyen Quang project did not carry out training for PRA teams and extension staff until two years after start-up due to the lack of funding by a major donor. Training for applied research staff was delayed even longer with the first training on applied research methods carried out only in 1997. Initially, top-down technology transfer programmes (e.g. for new corn hybrids for animal feeds, and for hybrid rices), coming from Ministry to Department and then to district level extension agents, dominated most extension activities. Farmers were asked to plant hybrid corn due to its better taste, higher price, and higher biomass despite their preference for local glutinous corn. There was little budgetary provision for adaptive research on the sloping agricultural land technology (SALT) model. Only after project staff was trained in PRA methodology it was realized that they had lost precious time. Tuyen Quang province then appointed staff to fill the extension posts in all the 145 communes and developed the most comprehensive extension system in the country that provided a model for other provinces. Quang Binh province was quick to realize the value of extension activities, pushing ahead its PRA activities. In Ha Giang, due to a fault in project design, each component of the HGDPEM carried out its own PRA survey, resulting in duplication and causing irritation to farmers and villagers. In fact this was not genuine PRA, just a simple line department survey to identify farmers' requirements from that department. The direction of applied research involved top-down, scientist-led activities rather than the results of PRA. The design for Ha Giang's extension programme was based on the Farmer's Field School approach, but this was not fully utilized. The Ha Giang DARD introduced

hybrid corn and hybrid rice to ethnic communities, according to the Ministry's top-down approach. However, in spite of these shortcomings, the gradual development of an agricultural extension system with a PRA approach has meant that the Government at all levels has formed a strong basis for the recently-promulgated policy to ensure rights and democracy at Commune level. Through the governmental development plan, the extension machinery was formed from the provincial to the commune level to establish demonstration sites for hybrid corn, hybrid rice from China, Khaki Campbell ducks, straw mushroom production and the cultivation of sugarcane and sorghum.

26. **Livestock.** In Tuyen Quang, the primary objective of the livestock component in the appraisal report was to reduce poverty and increase food security in the households through sustainable livestock production practices. The following investment activities were planned to support livestock production: the development of the pig breeding farm; the establishment and revitalising of artificial insemination stations; the establishment of fodder tree nurseries; the provision of animal health care; the provision of credit for livestock production activities.

27. In 1996, the IFAD interim/mid-term review commented that little progress has been observed in this project component. Subsequently, implementation picked up as can be seen in the implementation assessment study (IAS) prepared by the project for the CPRE June workshop. The Mong Cai pig breeding programme has gone well, with the supply of breeding pigs to 1264⁶ households, of which 706 were reported to belong to PRA wealth categories 3 and 4 and 558 to category 2. The strategy is to have Mong Cai sows in 20 households per commune. It should also be noted that of 50 exotic boars in the province, 30 are kept by private households and of 12 Mong Cai boars seven are in private households. Thus, there are now more of these breeding pigs in private households than in government or company farms, which deviates from the emphasis placed on government farms in the appraisal report and provides important evidence that this programme can be effective in the private sector.

28. The training and equipping of existing Commune Animal Health Auxiliaries has meant much wider coverage of preventive veterinary vaccinations of all animals and, in contrast to the other IFAD supported projects, a considerable number of chicken were vaccinated. A poultry model for poor households has been researched in on-farm trials by the National Institute of Animal Husbandry, Hanoi, in collaboration with the VWU and with support from the Swedish International Development Cooperation Agency (SIDA) from 1994. There has apparently been no support from the PRMP for this research, although it should have attracted priority given the project's objectives and its relevance to poor women. Agricultural Extension now promotes the model in Tuyen Quang and reported strong interest, with more than 1000 women involved, but its profile is not high in the project's presentations and while the first round of research⁷ has yielded useful results, more deserves to be done maintaining the on-farm, pro-poor and participatory methodologies and perspectives of the initial work. Meanwhile, the process of equipping a diagnostic laboratory has almost been completed, and the facility is well justified, provided procedures are established to collect and send in samples from the field.

29. A total of 1,153 farmers have planted the fodder tree *Trichanthera gigantea*, the leaves of which are used to feed pigs but can also be used for poultry. The tree is easy to multiply, but its survival rates and contribution to overall feed supply in households, which have planted it, have not been reported.

⁶ Data obtained from interview with head of Nong Tien Pig Breeding Station.

⁷ Do Viet Minh, Le Viet Ly and Brian Ogle (undated): *Investigations into the effects of energy and protein supplementation on the production and economic efficiency of scavenging Tamhoang (improved breed) and RI (local breed) hens under smallholder conditions.* National Institute of Animal Husbandry, Hanoi: minhvcn@hotmail.com

30. The objectives of the HGDPEM in Ha Giang are to increase household food security and income through increased livestock production and productivity. The performance of the component as outlined in the IAS need not be repeated here, but attention will be drawn to issues as they appeared to the mission during the field visit, from proposals prepared under the SIDA sponsored Mountain Rural Development Project (MRDP) and from the socio-economic study preceding project formulation. Both from a poverty as well as an environmental perspective, the situation in areas like Zone I is alarming and the mission fears that some of the fundamental issues such as the competing demand for resources presented in the socio-economic study are not being addressed. The socio-economic study pointed out how micro-credit programmes on-going in Ha Giang at the time of the study in 1996 had led to an increased number of cattle and pigs and hence to pressure on a very fragile environment, when feed for cattle had to be collected from common land, and the feed cooked (as practice dictates in the case of pigs). The requirement for fuel is particularly high when waste from alcohol production forms a large part of pig feed. According to one of the SIDA reports⁸, there are plans to introduce 30000 cattle to Zone I, but without any well proven feeding strategy in place. Reports point at several possibilities that have been tried elsewhere, but not among poor farmers in Ha Giang. None of the reports on implementation in Ha Giang demonstrate any clear sense of understanding of the integrated nature of the problem – and none of them address the central question of fuel, which again is an interdisciplinary one with links in the biological as well as the sociological sphere. Rather than forcing up the numbers of cattle, it is likely to be much more sustainable to understand the forces behind the changes in these numbers and develop a livestock development strategy accordingly. However, co-ordinated leadership among the concerned institutions on this question was not in evidence.

31. In Quang Binh, crops and livestock development are merged in one annex in the appraisal report. No explicit objectives are stated, but the aim is increased livestock production as well as integration with crop production. So far, the major achievement has been establishment of Tuyen Hoa and Le Thuy AI stations and Duc Ninh Pig Breeding station and training of 149 commune extension workers and 41 AI technicians. Additional training and support to extension workers is urgently needed. Other livestock work, such as equipping community livestock health workers, has not started. However, the project was assisted by a team from the Faculty of Animal Sciences of Hue University of Agriculture and Forestry (HUAF) in 1998 which has described the present status of livestock at household level and come up with a number of recommendations for on-farm trials and demonstrations. The same faculty has been used to develop technical guidelines on cattle, pig, chicken and duck production. The microcredit programme has not so far worked well and therefore not created any demand on livestock services. The principle of using teams such as that from the HUAF is a step in the right direction, but the question is whether better cost/benefit might be obtained if such contacts were over a longer time and directed towards the solution of specific on-farm problems rather than for single visits by large teams of scientists.

32. **Aquaculture.** Under the aquaculture development component in Quang Binh, five hatcheries for shrimp and fish have been rehabilitated for local production of juveniles and fingerlings, and in 1999 the production of juvenile shrimps in the rehabilitated hatcheries accounted for 70% of demand in the province. Ten demonstration models for the rearing of tiger prawn have been implemented, and ten models for fish-cage rearing, and training programmes have been provided for key staff and for beneficiaries in 75 communes. The aquaculture component accounts for 7% of the project budget, and 34.2% of the appraisal figure has so far been disbursed, principally for the upgrading of hatcheries and the provision of vehicles and equipment for the laboratory and extension centre.

33. **Environmental Issues.** The forestry component of the HGDPEM aims to give support to existing forest programmes in critical watershed areas, principally by developing participatory

⁸ Report on a visit to Ha Giang Province 8-11 March 1999 by Dr Brian Ogle.

protection models and the issue of forest protection contracts for 20000 ha of critical forests. The component was pre-targeted to 22 communes in eight districts. The total budget allocation was VND10.124 billion, of which 57% has so far been disbursed. The main activities to date have been the procurement of vehicles and equipment, staff training and the preparation of an environment impact assessment study. Protection contracts for 11000 ha of forest have been issued, and 200 ha of new forest have been planted, the latter activity having been added in 1999.

34. Under the sand dune fixation component of the ARCDP, 2 700 ha of *casuarina* have been planted in twelve southern communes in the dune area. The trees were planted in densities of 3300 and 5000 seedlings per hectare, with all planting and maintenance carried out by farmers and around 70% of local farmers, most of them women, benefiting from employment opportunities. Over 15million seedlings are now produced by the farmers themselves. A self-management board has been set up in each commune for the purposes of maintenance and protection. Sand dune fixation accounts for 13% of the project budget, and 54.8% of the appraisal figure has so far been disbursed.

35. **Credit.** Credit is an important component or sub-component⁹ of project design in all projects, and in each case the credit programme is implemented with the close support of the VWU, although the actual flow of credit takes place through the Vietnam Bank for Agriculture or VBP (from own or project funds) to members of women's savings and credit groups (SCGs). The VWU organizes credit groups, sends lists of beneficiaries to the VBP for appraisal and loan approval and decides (in consultation with group members) how the limited credit available is to be shared between groups and within members within groups. The Bank does not monitor aspects like targeting or fund utilization. In effect, there has been put in place and operates satisfactorily a co-management credit delivery framework with the VWU being responsible for the operational side of it. It is noted that a memorandum of understanding has already been signed among the VBA, the VWU and the PCU for the implementation of the credit scheme. Loans have been advanced to women not only for their usual activities pertaining to small stock mainly pigs and poultry, petty trade and tailoring but also for draught power (buffaloes). In Quang Binh and Tuyen Quang, the Farmers' Associations have recently started forming men's or mixed SCGs, thus becoming partners in the comanagement credit delivery framework. The VBP and the project are serving the target groups on the basis of joint group liability at 0.7% and 1% interest rate, respectively. In Ha Giang, administrative problems initially delayed the flow of credit, but the VBA has now agreed to channel credit from its own resources. In Quang Binh, the VBA is reluctant to channel credit to the poor, in particular to those without land titles. Not all the poor have secure land titles, and very few women share joint titles to land. For borrowers who are able to give security, the procedure for asset verification is cumbersome, requiring certification by three agencies i.e. VWU, VBA and Commune People's Committee. As a result, over half of the women's groups have become defunct and the VWU has proposed to the Land Bureau to issue certificates in the joint names of husband and wife.

36. In Ha Giang, an amount of USD 20 000 from United Nations Development Programme (UNDP) is being disbursed at sustainable interest rates (12%) on a pilot basis to four Women's Self-help Savings and Credit Groups each having 15-20 members, who save VND 5 000 monthly each. In the Ha Tinh province, where IFAD's latest project is located, OXFAM (UK), ActionAid Viet Nam (AAV) and OXFAM (Belgium) and the Save the Children Fund (UK), in cooperation with the VWU have developed micro-finance schemes based on small savings and credit groups. OXFAM (UK) has introduced a cash-for-work scheme for the poorest households, and AAV has developed district social fund, which can be assessed by communities for financing micro-projects.

⁹ In the case of Tuyen Quang it is a separate component by itself. In Ha Giang it is part of the income diversification component, while in Quang Binh it is part of the agricultural development component.

37. The credit programme aims to respond to the credit needs of the poor and to build capacities of different institutions involved in the programme. The first objective has been achieved best in Tuyen Quang and perhaps least well in Quang Binh. Even in Tuyen Quang, where the flow of credit to the poor from VBA has been good, the group capital is not enough to meet the short term or medium term consumption/production credit needs of their members on a sustained basis. The demand for credit is so high that despite the contradiction in interest rate, farmers borrow from the project funds, and attempts to satisfy more households have resulted in a thin spread of credit in some communes. Only very few beneficiaries have been able to obtain a second loan from either the groups or the banks. Social security funds are yet to be institutionalized within the savings and credit programme, and this may be necessary for the poor to cope with contingencies such as ill-health, death of family member or illness in livestock. The second objective of strengthening capacities of different institutions with regard to credit has been only partially achieved in all the projects, mainly due to delays over technical assistance. Capacity building efforts have been strong with respect to accounts and reporting, but do not place the required emphasis on issues of poverty, gender and self-help. The earlier project policy to lend exclusively to women's groups in the villages gave impetus to women's group formation especially in the context of the great need for credit presently in short supply.

38. **Project Organization.** The overall responsibilities for the organization and management of the IFAD loan rest primarily with the provincial government and the chairman of the PPC of the Province, under the authority of a National Steering Committee. The Provincial Steering Committee bears the overall accountability for the project implementation at the provincial level and for the coordination. The designated part-time vice chairman of the PPC directs overall implementation and supervises the full time National Project Director (NPD), who acts on the authority of the chairman of the PPC and has the day-to-day responsibility of the project administration. The NPD heads a small project management/coordination unit for monitoring project implementation, and consolidating the annual work plan, and maintains the necessary contacts with the IFAD project cooperating institution that is responsible for loan administration and project supervision. The sectoral departments of various ministries are the implementing agencies of the various components of the project. The designated activity manager of each implementing agency is fully accountable for achieving the targets defined in the proposed annual work plan and budget. At the district level, the district project coordination unit is given the task of facilitating the overall coordination of project activities. At the field level, the actors include the commune people's committee, the commune development board, village self-help groups and user groups, and the village mass organizations. The procurement and flow of funds are based on the procedures set in schedules 2 and 3 of the loan agreement.

39. **Performance of technical implementation units.** In Tuyen Quang, the majority of activities such as review and supervision are contracted out, whereas in Quang Binh they are conducted by project technical units. In both cases, technical units pointed to problems such as cumbersome bidding procedures and overloading of the technical units. The technical units for the irrigation and road components are located in the Department of Agricultural and Rural Development and the Department of Transportation and Communication at the provincial level. At the district level, technical implementation units have also been set up. The responsibility for surveying and design belongs to the provincial technical units. District implementation units as well as commune technical workers are responsible for the supervision of construction in Ha Giang and Quang Binh.

40. **Decentralization.** The history of decentralization in Viet Nam can be divided into three main periods. The first period, 1946-1960, began when the country's first constitution (1946) established people's councils and administrative committees. During the second period, 1960 to 1992, efforts focused on national consolidation, and centralizing the administration. Institutional structures and roles were changed under the 1959 constitution, but subsequent constitutions in 1980 and 1992 did not significantly alter the centralized roles of the people's committees and people's councils. The third

phase, from 1996 to the present, marks an important phase in decentralization in Viet Nam, one consistent with the development of a vibrant and equitable market economy. The passage of the budget law in March 1996, the ordinance on the specific tasks and powers of the people's councils and people's committees at each level in July 1996, and of decree 29 of May 1998 on "Grassroots Democracy" provide a sound framework for development of a well-designed programme of decentralization.

41. **Administrative Decentralization.** Viet Nam is a unified state with an administrative system that is divided into three distinct levels - provinces, districts and communes. Within the unitary system of government, centralized state authority is extended to local administrations in the provinces and districts. The basic principle of democratic centralism in the Vietnamese context allots a strong role for the central government to direct the pattern of development, while relying on local participation to ensure that development responds to local needs. Local levels have both budgetary and administrative responsibilities, but communes are not directly included in the consolidated budget. Almost all public services are delivered through the formal government administrative system. Local administrative bodies are accountable to both popularly elected bodies and to higher level of administrative units.

42. **Fiscal Decentralization.** The central government negotiates with provinces annually to determine their level of expenditure and subsequent revenue transfers for poor provinces (including all provinces with IFAD-funded projects). District and commune revenues are also based on approved expenditure but no standard system of assigning revenues to districts and communes exists. Rather, each province has its own system. Often, shares of taxes assigned to the provinces are assigned to the districts and in turn, to communes. In theory, communes are assigned 10% of the agricultural tax, which is supplemented with a transfer from the district, to support commune administration. In practice, this rate varies from commune to commune, as does access to other local taxes such as the slaughter tax and the market tax. People's councils at the commune level can levy contributions in cash or kind on households, without higher level approval to expand their revenue.

43. For the delivery of public services at commune level¹⁰, the revenue allocations that reach the communes are barely adequate to meet their administrative costs. Local contributions, with the help of national programmes, must finance virtually all non-salary recurrent costs of public services, such as agricultural extension, animal health services, education and health. Households directly finance about 14% of commune services and 23% of non-salary expenditures. The importance of household financing in providing commune services differs strikingly among provinces, districts, and even communes within the same district, depending largely on local leadership, social mobilization and local income.¹¹

44. **Decentralization in IFAD-supported Projects.** Although the project provinces are supporting some innovative approaches to decentralization, decentralized and participatory decision making does not appear to involve key stakeholders such as poor farmers and women in order to promote equity and fairer resource allocation at the local level. In all the projects, the PRA/PLA tools do not necessarily lead to decentralization in subsequent planning, implementation, and monitoring and evaluation (M&E). However, the mass organizations form an important link between the local people and the implementing agencies and take a lead role in moves towards decentralization through the formation of user groups and self-help groups. Another device that has been introduced in IFAD supported projects is the establishment of Community Development Funds to meet the communities' expressed needs. This would no doubt serve as a captive instrument for decentralized and participatory allocation and control

¹⁰ Government Report on Local Financial Survey, 1998.

¹¹ See also Local Contributions, A Regressive Tax in Annex II.

mechanism to empower local communities. However, with respect to longer term sustainability, institutional and systemic reforms are needed to introduce effective decentralization.

Experiences with Microcredit

Evidence from Viet Nam, where two million women now participate in the micro-credit scheme promoted by the VWU, suggests that credit facilitates diversification. When the poor have continued access to credit, diversification occurs in later loan cycles as investments are increasingly directed from animals to crop production, land, fruit trees, trade, services, education and even better housing for the household. *Credit adds value through the utilization of waste and scavenged feed by animals and contributes to the preservation of local genetic material as the first loans frequently are invested in indigenous breeds of animals. Credit also contributes indirectly to the protection of the environment because as people earn enough abstain from firewood collection for sale in the market to generate cash for food purchases.*

A Case Study

Giang Thi So is a fifty-one year old H'mong woman who heads her household in the Dao Vein Commune of Yes Son District in Tuyen Quang. Her husband died ten years ago and she was left with four children, three of whom have married and set up houses of their own. The youngest, a ten-year-old boy, lives with her. She has five *shous* of reasonable land (each *shou* is equivalent to 360 sq.m.), two pigs, 12 chicken and one buffalo. Her main problem is the lack of adult labour to work the land. Her married son helps, but it is difficult for him to be available at the times when he may be most needed. The variety of rice currently promoted by the Government (*Tapzao*) is expensive and requires intensive labour. *Giang Thi So* also faces considerable transportation problems in purchasing inputs and selling any surplus produce, as four kilometres of rough track separate her home from the nearest market.

There used to be a number of horses for hire in the village, but most of these have been sold since the installation of a de-husking and grinding mill in the village itself. The buffalo was purchased with an IFAD-supported bank loan, but repayment is a problem, and *Giang Thi So* has not yet directly benefited from the IFAD road and irrigation programme for the region.

III. IMPACT AND SUSTAINABILITY

A. Impact

45. **Overall Indications.** The overall impact of the projects is hard to assess as yet, with the exception of the PRMP in Tuyen Quang, which is nearing completion. The second round of PRA in Tuyen Quang, which was used to assess impact of the project in 51 communes, suggests that in these communes the number of better-off households has increased by 10.5% and poor and very poor households have decreased by 12%. The results would have been more impressive if one excluded the households involved since the first round of PRA, which have derived less benefits from project activities. Not all improvements can be attributed to the project, since other government programmes as well as initiatives of the people themselves have also had a role to play ¹².

46. On the negative side, investigations by the mission in one village revealed continuing malnutrition amongst children and an insufficient protein intake. In remote areas of Tuyen Quang populated by ethnic minorities, even where incomes have increased, poor roads act as a constraint to the access of better health and education facilities. Another issue is equity in distribution of benefits. Micro level analysis suggests that insecure and inadequate landholdings, as well as the quality of land, prevent poorest from deriving as much benefit as the poor, particularly with regard to the irrigation and infrastructure components. Lack of adult labour is also a constraint in the case of the elderly households without family support and single-headed households. It is in this respect that micro-credit has played a useful role in strengthening the asset base of the poor.

47. A participatory evaluation that the mission attended in inland Le Thuy district of Quang Binh revealed a decline in poverty from 30% to 20% as a result of rice regeneration interventions over a period of two years. The project impact was higher amongst those with larger landholdings, and has excluded the handful of very poor landless people. Nevertheless, it was impressive that 98% of the households in the village had benefited through the programme. Similarly, a good intra-village spread of benefits was noted with respect to the irrigation programme (with the exception of the landless, as indicated above). Though the intra-village spread of benefits from the sand dune fixation was lower, and only five of the 10 participants issued with contracts in the village for protection were poor, it was noted that the project had helped the poor to increase their livestock base, meet agricultural credit requirements and repair their houses.

48. Though it is early to assess the impact of farmer field schools (FFS) in Ha Giang, meetings with participants indicate that yields are likely to increase as a result of the new package of practices introduced - high yielding varieties of seed, and improved broadcasting methods. Monetary gains to the poor were also noted in the case of forest protection. The income had been invested in purchasing livestock, in particular pigs.

49. **Capacity Building.** The capacity, expertise and awareness of project staff have discernibly improved in Tuyen Quang and Quang Binh during project duration. In Ha Giang, due to intensive training in participatory approaches, monitoring and evaluation, and in the management of rural development projects - and also to the presence of international and national advisors - there is now a better understanding of participatory development processes and management. The quality of planning, implementation, coordination, supervision and reporting has seen considerable improvement and there is a better appreciation of the transparent procurement procedures and keeping of records required for a foreign assistance project. Compared to the workers selected and trained under other projects and in

¹²In one village it was noted that the village leader had encouraged the families (all H'mong) to cultivate two crops instead of one. This had led to an increase in productivity by 30-35%.

the earlier period of HGPDEM, the selection of village health workers and commune veterinary workers during 1999/2000 followed a much rigorous selection procedure and the new staff were found to be excellent.

50. **Targeting.** The targeting of the provinces has been good, with more than 12% of the poorest communes as identified by the HEPR falling within the four project provinces. In Ha Giang, 63% of the 191 communes are considered disadvantaged according to HEPR criteria. In Tuyen Quang, the Na Hang and Chiem Hoa districts are poorer than the other four districts. In Ha Giang, the Zone 1 districts of Meo Vac, Dong Van, Yen Minh, and Quan Ba are the most disadvantaged areas, and in Quang Binh, the districts of Minh Hoa and Tuyen Hoa record higher levels of poverty than the other four districts. The targeting of districts has been fairly good in Tuyen Quang and Ha Giang (other than in the case of irrigation schemes, which are concentrated in Zones 2 and 3). In the province of Quang Binh, more might be done to focus activities in Minh Hoa and Tuyen Hoa.

51. The mission attempted to analyse the proportion of poorest communes which have derived benefits through the project, and the results suggest that the targeting of poorest communes has been most effective in Ha Giang, not just because there are a greater number of poor communes but because conscious efforts have been made to reach them. In Tuyen Quang, targeting of poorest communes is strong with respect to most sectors with the exception of animal husbandry and irrigation. In Quang Binh, consistent and systematic targeting is not applied and needs to be strengthened in all programmes, in particular micro credit, irrigation and animal husbandry. With respect to coverage, coverage of the poorest communes is low in Ha Giang as the project is at an early stage. Coverage of all the poorest communes also needs attention in the other projects. Village-wise disaggregated data was difficult to obtain, but enquiries at one commune each in Tuyen Quang and Ha Giang suggested that the remotest villages in a commune tend to derive less benefits than the nearby settlements.

52. In all projects, the poorest households are identified through the PRA method of wealth ranking whereby the villagers themselves classify households into four to five categories based on their own criteria. Though this is participatory, it may not lead to uniform criteria being adopted across villages¹³. In Tuyen Quang, only members of poor and very poor households can derive benefits from the credit programme, while in Quang Binh considerable leakage to non-poor was noted (70% of the women borrowers are non-poor due to the attitude of the VBA). Targeting of the credit programme in Ha Giang fell between these two extremes. Targeting with respect to micro-irrigation was observed to be strongest in Quang Binh, where 85-90% of beneficiary households were poor in the two irrigation projects observed, and weakest in Ha Giang, where only 38% of the households were poor in the single scheme visited. The comparative figures for Tuyen Quang fell between these two extremes. Even in Quang Binh greater attention needs to be paid to help landless poor households access some sort of benefit from micro irrigation schemes. With respect to employment creation in the road component, most of the labourers come from very poor and poor families. Greater attention to targeting may be required in the sand dune fixation component in Quang Binh where education and labour availability are made a pre-condition for being issued with contracts for protection, and these criteria exclude the poorest, in particular poor women headed households. This was also observed to be the case in the FFSs in Ha Giang. Young farming families and poor women headed households deserve greater attention than now as they are amongst the poorest. Two other groups quite vulnerable to poverty cannot be reached through the programmes of IFAD supported projects: poor elderly households without family support, poor disabled persons and households with sick adults.

53. As far as the targeting of ethnic minorities is concerned, these groups constitute over 90% of the population in Ha Giang and, as the name implies, the HGDPEM is targeting specifically at them. By

¹³ It was found that the “very poor” in a remote village of Tuyen Quang were much more poorer than the “very poor” in a better off village.

contrast, only 2% of the Quang Binh population is composed of ethnic minorities, thus only in Tuyen Quang (where the proportion is around 56%) is the targeting of minorities a significant issue. Available project level statistics suggest that a majority of the labourers in the road component of Tuyen Quang are from ethnic minority communities, and some attention has been given to the participation of ethnic minorities in credit schemes and community development boards.

Animal Husbandry and Targeting

There is a link between assets and ownership of animals that can very usefully be exploited in the IFAD projects. Well-to-do families earn an annual income substantially above the average, and some of that income may come from jobs outside the farm due to higher levels of education. They have buffaloes, cattle, pigs and poultry and their food situation throughout the year is secure. Many of the male veterinary field assistants fall in this category. The medium income families earn less. They have the same species of livestock as the well to do families, but only half the number of animals. They have medium size families and the level of education is not as high and they depend almost exclusively on farming for their income. They have sufficient food. The poor families have a substantially lower annual income. They have no buffaloes or cattle, but do possess a pig in some cases. Chickens are the most common animals for this group and are tended by women. These poor families experience food scarcity 3-5 months a year. The education level is poor and they tend to be young. Any income from outside the farm is earned as hired labour or through woodcutting.

However, chicken is the animal that is offered the least attention in the projects, which is perhaps not surprising as it is a neglected resource in national and international development work as far as very small, rural chicken units are concerned. However, a poultry model developed by the Viet Nam National Institute of Animal Husbandry under their collaborative research programme with the Swedish Agricultural University in on-farm research work beginning in 1994 in Tuyen Quang and developed in close collaboration with the Women's Union in Yen Son, Sonduong and Hamyen districts¹⁴ is now applied by the agricultural extension department to one thousand households, approximately, and seems successful. The demand for hatching eggs of dual purpose egg and meat birds produced by a farmer in Quang Binh was very high as all eggs were sold to neighbours for hatching. The poultry model in Tuyen Quang uses the Chinese Tamhoang dual purpose breed, which produces more (50%) and heavier (25%) eggs than the local breed.

However, these efforts are still small and low profile in the projects. In some cases, poultry vaccines are made available for sale against payment, but in no case was preventive vaccination regular against a well-know chicken killer disease like Newcastle in contrast to important pig, cattle and buffalo diseases for which preventive work is regular and well organized. This militates against both women and the poorer households. Healthy dual purpose chicken provide a regular source of cash income that can be very handy for hungry households, when it is remembered that the value of 3 eggs at 900 VND each is equal to 1 kg rice, and the value of 1 kg live chicken at VND 16000 to 20000 is equivalent to 6 to 7 kg rice or 8 to 10 kg maize.

54. Beneficiary Participation/User Groups. Project appraisals are done by external missions in close consultation with decision makers at the provincial and district level. While different groups in poverty are consulted during appraisal by mission members, there has so far been very little scope for proactive participation of the poor in identifying needs and shaping project design. This is particularly true for the irrigation and road components, which are often pre-targeted. With respect to operational

11. Information obtained from Dr Le Viet Ly and Mr Do Viet Minh, National Institute of Animal Husbandry, Hanoi. See Table 18 of *Voices of the Poor*, World Bank, Hanoi, November 1999.

planning, the main contribution of IFAD projects has been the promotion of PRA as a planning tool. This allows for the priorities of the people to be heard, and creates space for them to influence the operational planning of (predetermined) components. Primarily, PRA methodology was used to determine the content of research and extension priorities in instituting a problem-solving and demand-driven approach to agricultural extension. PRA methodology was also employed for wealth ranking in the project area as a targeting instrument, whereby poorest households are identified by the villagers themselves through classifying households into four or five categories based on their own criteria.

55. The evidence is clear that the multi-component nature of PRA conducted in the villages of Tuyen Quang has been more effective than the sectoral PRA conducted in other projects. However, even in Tuyen Quang greater attention needs to be paid to the participation of the poorest in separate groups, the analysis of causes of poverty, and the development of a village plan including a food security plan for poor households. These village plans would be integrated at the commune level, keeping in view the resource availability constraints and a creative negotiating process to reconcile intra-commune competing demands. The village and household level plans should be regularly evaluated through a participatory evaluation exercise assessing changes in village and household food and nutritional security and the reasons for these changes. As a result of gaining experience in PRA within the projects, some of the sectoral departments are using PRA methods in their routine work. This was observed in Quang Binh and Ha Giang where sectoral departments are actively involved in carrying out PRA. However, multiplicity of PRA exercises, as a routine, by sectoral departments may reduce its effectiveness in promoting "authentic" participation.

56. With regard to implementation and grassroots management, a variety of self-help groups have been formed which are involved in planning and managing micro-irrigation and drinking water schemes, access to credit, road programmes, sand dune fixation, forest protection and agricultural extension activities. User groups are instruments that can facilitate the active participation of rural people in development initiatives, providing them an opportunity to be trained, to gain confidence and to be the owners of their decisions and advancement. Road user groups have only nominal existence, and there is no active participation of users in road construction, operation and maintenance. Ownership and responsibility for road maintenance belong to the districts. Water user groups, on the other hand, function successfully in terms of construction, operation and maintenance, and the sense of ownership by beneficiaries is real. These groups represent a development and improvement on traditional water rotation groups. However, water management and rotation over several schemes has not generally been put in place. The supply of water for irrigation would be improved not only by physical construction but also by appropriate technical assistance. In Ha Giang, user groups for domestic water supply schemes do not exist and there was no noticeable labour contribution from beneficiaries in construction, operation and maintenance. Difficult living conditions in upland areas appear to be the main cause. The design of facilities is kept simple, which is the best guarantee of sustainability. In general, user groups have not been sufficiently active in the ongoing projects in Ha Giang. Genuine participation needs to be encouraged, for example by handing over ownership of small structures attached to roads or gravity water supply systems to the user groups.

57. Almost 100% of irrigation fees are collected by water user groups visited by the Mission, a substantially higher rate than in conventional irrigation groups. Newer user groups set their own level of irrigation fees, with 20% allotted for staff, 20% for maintenance and 60% for future development and major repairs. The irrigation fee for rice crops is equivalent to approximately 20% of the gross yield. In one of the micro-irrigation schemes in Quang Binh, it was noted that labour contributions to irrigation programmes are based on landholding, with disabled and elderly women headed households given exemptions with respect to labour contribution, and concessions with respect to water fees. Such examples of pro-poor regulations may need to be documented and disseminated across projects. Capacity building regarding group formation and technical issues has been effective, but there is a need

to develop capability for cost estimation and planning so that simple micro-schemes may be constructed by water user groups themselves.

58. **Gender Mainstreaming.** Gender analyses show inequality in the distribution of power within the household in terms of limited decision-making power, extremely heavy work burdens, health problems, limited representation in institutions, limited access to education for some ethnic women, and unequal access to productive assets, such as land and credit. Gender mainstreaming is not an issue of policy bias but rather a function of traditional cultural values and constraints. The project objectives of all four IFAD projects are gender-neutral, and while there is no gender-bias in the definition of project objectives, an explicit commitment to address gender specific causes of women's poverty and mainstream gender concerns is absent in the project design. The key role of women in agriculture, livestock, and rural marketing is however recognised, and gender concerns are mainstreamed to some extent in the outline of the credit/income diversification component in all the projects, especially in the case of Ha Tinh. In all projects, women are actively encouraged to participate in PRA, and statistics suggest that the proportion of women participants in all PRA exercises is between 40 and 50% of the total. An innovation in Quang Binh is the practice of carrying out PRA in separate men's groups and women's groups so that women's sectoral needs are heard. Later, conflicts in priorities of men and women are resolved.

59. The degree of access of poor women to project resources of different components has varied. It has been higher with respect to credit (62% in Quang Binh) and income diversification, followed by agricultural extension and sand dune fixation, and lower with respect to roads and bridges, irrigation, forestry protection, animal husbandry and education programmes. A broader issue in implementation is the gender and ethnic composition of staff and workers. Women's representation in the PPC/PCU ranges from 18% in Ha Giang to 26% in Quang Binh, with their representation being higher in administration and accounts than in project management. The exception in this regard is the Tuyen Quang project, which is headed by a woman director. Women's representation at the District Implementing Units is lower than at the provincial level in all projects. It was encouraging that most activity managers of credit/income diversification programmes and 30-50% of those involved in the agricultural component of the IFAD projects are women. In Ha Giang, all education volunteers were women, but only 10% of human and animal health volunteers.

60. The three projects have contributed in different ways to addressing the gender-specific causes of poverty. The Tuyen Quang project has been the most successful in terms of expanding the independent asset base of poor women, increasing their status within the family, and strengthening their ability to cope with poverty through the credit and savings programme. Bank loans are used for the building of asset bases, while internal group loans are used for emergency consumption purposes. The Ha Giang project has made contributions to the reduction of women's workload, by improving access to drinking water, promoting the use of coal instead of woodfuel, and introducing improved technologies for seed broadcasting and the preparation of animal feed. The unique contribution of Quang Binh has been in creating channels for allowing women's voices to be heard in village level decision-making with respect to project activities.

61. Some of the issues which need to be pursued in policy dialogue on gender mainstreaming are: land titles to women farmers as otherwise women may be getting disenfranchised of their land use rights; women have adequate presence, but much less influence in public institutions (a SIDA participatory poverty assessment in four provinces found that in the context of Decree 29, steering committees had been established at province, district and commune levels, but no woman had been nominated to a post of the head of the steering committee); ethnic women have unequal and inadequate access to education and health services; within the households, women have unequal decision making power, and share a much higher household workload.

62. **Financial Services.** Investigation of reports of households experiencing seasonal hunger revealed that the problem was never lack of food in the markets, but the lack of means to acquire food. The credit programme mainly aims to respond to the credit needs of the poor but its implementation has been problematic. This is partly due to institutional weakness of the credit delivery mechanisms in Viet Nam and partly due to ambiguity in the government's policy approach to micro-credit as an instrument of poverty reduction. Although, VBA has over 2600 branches throughout country and is the only bank in 20 out of the 61 Viet Nam's provinces, its network is strongly correlated with communications network and proximity to district centres and focuses on relatively better off clients in urban and easily accessible rural areas. The VBP was established in August 1995 by the Viet Nam Government as a credit delivery mechanism dedicated to deliver credit to the poor. Its funds came largely from the VBA. Over 70% of rural households depend on informal sources for credit, paying interest rates that are two to three times higher than those charged by formal financial institutions. Apart from limited presence of formal banking institutions in rural areas, inability to offer collateral explains limited access to formal finance by the rural poor.

63. Lack of access to rural financing forces poor farmers to sell productive resources for cash to meet immediate needs. At this stage, most of the demand by smallholders is for short-term and seasonal loans for the purchase of livestock, inputs and small agricultural equipment. The first cycles of micro-credit loans are overwhelmingly invested in animals that are of indigenous breed and managed according to traditional practices. The household's food supply situation improves as the profits are used to buy food, and children are sent to school. This objective has been achieved best in Tuyen Quang (and perhaps least in Quang Binh) through the implementation of the micro-credit scheme in a co-management framework with the VWU and the farmers associations. However, the programme faced serious structural and procedural problems that restricted its impact on project beneficiaries significantly. Firstly, the cumbersome processing procedures, the high cost of making small loans, the collateral requirements and the perceived high risks of small loans inhibited the involvement of commercial or state banks in lending to poor farmers at a large scale. Even in Tuyen Quang, where the flow of credit to the poor from VBA has been good, the group capital was not enough to meet the short term or medium term consumption/production credit needs of their members on a sustained basis. Attempts to satisfy more households have resulted in a thin spread of credit and only very few beneficiaries have been able to obtain a second loan. Secondly, subsidised credit is not sustainable. Therefore, there is a widely acknowledged need to build up a basic structure of rural financial services responsive to needs of local communities.

64. There is a certain degree of lack of clarity in Viet Nam's approach to micro-credit. Credit to the poor is conceived as a kind of social safety net and is provided at subsidised rates of interest. This makes it difficult for commercial banks, including VBA to enter the area of rural financial services for the rural poor. Experience has shown that cheaper micro-credit runs the risk of being rationed and availed of largely by clients with easy access to VBA/VBP branch network that does not always extend into remote areas. The solution for such remote areas lies in credit retailing by financial intermediaries. However, below market interest rates do not provide the necessary spread margin to such intermediaries to cover even their operating costs, much less the costs of social intermediation, such as group formation and training of beneficiaries. Thus, subsidised credit effectively reduces, rather than enhancing the access of the poor to micro-credit. It also does not help promote development of sustainable micro-credit delivery systems. State-owned VBP, which uses the existing infrastructure and personnel to carry out its operations, runs the risk of being de-capitalized. It also does not encourage other banking institutions to enter the rural finance area because of high transaction costs and below-market interest rates. Another drawback is that subsidised interest rates imply low deposit rates that discourage savings mobilisation and promotion of rural financial services.

65. It is obvious that the financial sector in general, and rural financial sector in particular, are still underdeveloped in Viet Nam and require extensive reform. Main issues for policy dialogue would include: (i) below-market interest rates which prevail in much of the formal credit operations. There is need to provide for the higher transaction costs associated with micro-lending, while maintaining emphasis on improved efficiency of such operations and close attention to credit recovery discipline and channelling lending to viable productive purposes; (ii) a recognition that very poor households would still need a transparent programme for a targeted safety net support for meeting their consumption/production needs as part of a social fund type package; (iii) emphasis on savings mobilisation including remote areas through promotion of rural finance associations, on the model of village-based savings and credit associations (SCAs) being supported by IFAD in a number of developing countries. This would need incentives, instruments and procedures geared particularly at non-banking financial intermediaries operating in poor remote areas, and their integration with formal finance institutions; and (iv) support for group formation and training to rural households, particularly to rural women, to encourage self-help groups.

66. In the meantime, the projects should continue their efforts with the VBARD (VBA and VBP) to improve its lending programme to smallholder to support technical diversification and alleviate poverty. The technologies on improved agricultural and livestock practices promoted by the Projects for implementation link the extension directly to a credit package tailor-made to suit the needs and capacity of smallholder. A substantial proportion of the CDFs might be earmarked for credit activities.

67. **Participatory Adaptive Research and Extension.** An extension system to be effective must be backed by a system of applied and adaptive research to generate necessary technical packages and messages, supported by timely availability of inputs and advice and training of farmers by subject matter specialists. It also requires active involvement of farm households to interact with researchers and extensionists to provide the latter with a sense of local practices and knowledge. Changes in markets and technology have largely by-passed uplands in Viet Nam as elsewhere in East Asia. Upland communities are generally settled in remote, less productive areas with difficult terrain, poor infrastructure and lower accessibility to the market economy and off-farm work. A considerable diversity in agro-ecology with crops, livestock and trees forms a composite backbone of most upland economic systems. To ensure sustainable agricultural growth and diversification in the uplands, there is need for an effective integration of agro-forestry and livestock into cropping systems. The ultimate aim should be sustainable livelihoods rather than optimising land-based production in the short-term. This points to the need for a research and extension system, which has a multi-disciplinary and farming systems approach and a multi-disciplinary specialist backing, tailored to the upland-local socio-economic and natural resource management imperatives. However, a system of incentives should be kept in view in balancing objectives of household food security, income generation and sustainable management, conservation and regeneration of a vulnerable natural resource base.

68. The IFAD supported projects have consistently tried to build a responsive and problem-solving research and extension system, based on (i) the use of participatory rural appraisal (PRA) to assess the problems and needs for technology support, and (ii) training of extension staff to improve their capability to find solutions to those problems and respond to those needs in location specific contexts. After considerable effort, the Tuyen Quang province appointed staff to fill the extension posts in all districts and communes and developed the most comprehensive extension system in the country that provided a model for other provinces. The other projects are pursuing the PRA methodology to give concrete research and extension agenda to extension services that are still in the process of being organised. Strengthening of the demand-driven research and extension system requires: additional investments in training of staff and essential infrastructure, improved access to micro-credit at market related interest rates, and provide clear land-use rights and awareness building about long-term security of such rights to stimulate investment and uptake of improved technology.

69. **Crops and Livestock.** The training for technology transfer and the presence of trained commune extension agents have had a significant impact in each province. One area in which this can be observed is the increase in forest cover with more forest areas remaining intact thanks to extension programmes that have helped people to produce more food for themselves. In Tuyen Quang, total food production rose from 174000 tons in 1994 to 227000 tons in 1999, while yields of maize and paddy increased from 2.15 to 3.01 ton/ha and from 3.12 to 4.2 ton/ha, respectively. The total area under cultivation has also increased, notably for sugar cane (1185 to 7219 ha) and fruit trees (965 to 3266 ha). Between 1993 and 1999, the number of animals in the province rose by 43% for cattle, 16% for buffaloes, 26% for pigs and 46% for poultry. Establishing how far these increases are directly due to project activities is problematic. In fact, the percentage increase in buffalo numbers for the preceding three years, 1990-93, was higher at 26%. It was also higher for cattle at 64 percent, while it was lower for pigs at 16% and for poultry at 18%. Studies or other evidence establishing causal linkages have not been identified by the mission. However, one interpretation can be that the improved veterinary outreach has reduced mortality in pigs and poultry and led to improved growth rates. The 62136 loans sanctioned by VBP in Tuyen Quang are also likely to have occasioned increases in animal numbers, especially pigs. In 1999, VND 911.0 million, or 79.7% of the short-term credit, went for pig fattening, and VND 12668 million, or 92% of the medium term credit, was for livestock and fishery.

70. Between 1990 and 1999 in Ha Giang, the numbers of buffalo increased by 32% to a little over 126000, of cattle by 65% to around 52000, of pigs by 56% to 235800, of goats by around 60 percent to nearly 84000, and of poultry by over 25% to around 1.2 million. Again, it is difficult to estimate how far these increases are directly attributable to project activities.

71. In terms of livestock, the poorest households possess only chicken, and smallholder poultry production should become part and parcel of all IFAD supported projects. In this case, preventive vaccination against Newcastle disease is a first requirement. Staffing requirements will be considerable and women should be given appropriate training and be linked up institutionally, probably to the women's union. Investments in all livestock can be made more secure through preventive vaccinations and veterinary health workers are required, who should work closely with the micro-credit programmes. Thus, the funding of a veterinary infrastructure that will ensure outreach is required. This need not be expensive for the projects and a good part of the investments could be made as loans to the commune veterinary workers. This has been achieved in Tuyen Quang where some commune veterinary livestock workers own refrigerators and motorcycles and have stocks of medicine.

72. The mission's analysis does not justify the comparatively strong emphasis on breeding of pigs or cattle on which the projects have focused. Improved breeds have certainly brought about increased production, but in reality whether a breed deserves to be called improved or not depends on the context in which it is to be used. It will only be, after veterinary services, preventive vaccination, management and feed supply are in place, that animals with higher potential for meat, egg or any other type of production can realise this potential and justify the investment involved. The first priority from a hunger and poverty eradication perspective is to reach out to as many hungry and poor households as possible with relatively simple interventions i.e. micro-credit and preventive vaccinations.

73. The improvement of traditional feeding systems is an area that deserves more attention, with greater focus on local feed resources¹⁵ and collaboration over extended periods with research institutions. The projects have largely neglected this so far. Money spent on long-term research collaboration in place of short-term consultancies (national or international) is likely to yield more sustainable results as both accountability and continuity will be enhanced. The studies of relevant

¹⁵ A considerable amount of research from Viet Nam on local feed resources has been reported in the Internet Journal *Livestock Research for Rural Development* (<http://www.cipav.org.co/lrrd>).

project staff could be directed in such a way as to serve the requirements both of the projects and of the universities involved. The current research degree programme of the ARCDP director at Hue Agricultural University is a model to follow and arrangements should only be made with Universities that are willing to accept a participatory, field based approach to research. While the model should be employed in all projects there is a particular need for it in Ha Giang. By intelligent use of the Internet any relevant research institution or university in the world can be drawn upon. The emphasis is on relevance in methodologies and competence.

74. **In Ha Giang** there is a strong focus on the potential of crop residues like maize stover and rice straw as sources of feed for cattle, buffaloes and goats and there is some work on introduction of legumes and grasses. However, this work is carried out in a relatively prosperous area with only 30% malnutrition in children (compared to 50% in the severely degraded areas) and may therefore not come up with solutions for the poorest areas. The fodder question goes much deeper because crop residues and other organic materials are also used as fuel in areas of denuded hillsides. In addition, large areas are left uncultivated during the winter season due to lack of water for irrigation. Yet it is reported that crops such as Chinese cabbage and Kohlrabi can grow on soil moisture and night dew alone. Solving problems of this nature also serves to reduce drudgery for women and children. In terms of the conflict between fodder requirements and vegetation cover, the evidence from Tuyen Quang shows that increases in livestock numbers and forest cover can be compatible, provided the environmental and climatic conditions allow.

75. **Rural infrastructure.** The anticipated impact of project road components has generally been achieved, with the focus being on inter-commune roads, improvements to which have a high economic return. In terms of irrigation schemes, the increment in cultivated area and yield has been achieved as expected. In case of micro-schemes, a conspicuous increase in crop production was observed in Tuyen Quang.

76. In Quang Binh, construction work has provided a significant incremental income for some beneficiaries, most of them poor women. Better access to natural resources with the help of rural infrastructures built by the project is contributing to the diversification of rural production and narrowing the gap between the poor and the well-off in some localities. Certain critical investments funded by the project in Quang Binh (such as the road to Ngu Thuy commune and the artificial pig insemination station in Tuyen Hoa district) have considerably improved the livelihood of local farmers.

77. There are two approaches to target selection of infrastructure components. One is the partial integration of project intervention with provincial plans, which entails small-scale irrigation schemes and inter-commune roads. The other approach is to focus exclusively on micro-irrigation schemes and intra-commune or intra-village roads. For roads, all three projects visited by the mission had adopted the first approach. For irrigation schemes, Quang Binh and Tuyen Quang are pursuing the first approach and Ha Giang the second. Improvement of intra-commune or intra-village roads without prior improvement of inter-commune or district roads is impractical and uneconomic. In certain cases, it makes no sense for IFAD supported projects to improve intra-commune or intra-village roads and tracks without prior improvement of the main roads. However, integration of IFAD schemes with provincial plans could lead to the pre-targeting of project components and a low level of participation, as construction and maintenance are beyond the capacity of user groups. Special measures to encourage participation would be necessary in these cases.

78. Detailed data about infrastructural development, such as the total length of roads of each category and their rate of improvement, are not available in most of the provinces, although a database for rural infrastructure is being developed in Ha Giang. This kind of database would be useful to identify infrastructure development needs and co-ordinated interventions. Particularly, precise information for

the poorest areas, which can be obtained through IFAD projects, should be included in such a database. Other indicators that can be acquired only through PRA, such as sustainability of constructed structures and the actual level of employment of local labour should also be included.

79. **Environment.** There was no forestry component as such in the PRMP in Tuyen Quang, but the work of the project complemented and aided the process of re-greening, by contributing to food security and thus relieving the pressure on the forests. Total forest cover in the province rose from 26% in 1990 to around 46% ten years later. The project's support for the extension system has built on the significant achievements of SIDA during its 25 years work in the forestry sector of the province. Forestry officials at all levels appear committed and well informed, and with a real awareness of the critical importance of forestry conservation and management. This crucial element underlines the importance of continuity and collaboration in international assistance.

80. The process of forest allocation is well-advanced in most districts, and farmers are able to meet their fuelwood demands from their own forest plots, allocated on a 50-year lease basis. The most obvious indication of improved security of tenure (and therefore of longer-term planning) has been the widespread planting of fruit trees (oranges, plums, longan), some of which, such as cinnamon, require ten years or more before the first harvest.

Thac Mo Protected Forest, Tuyen Quang Province

From an interview with a junior forestry official in the Thac Mo protected forest, 42000 ha of outstandingly beautiful natural forest in the northern Na Hang district of Tuyen Quang province:

The forester told the mission that he had initially come to the work out of his own deep love for the forests of his land. The main problem, he said, was to guard the forest against the depredations of illegal loggers, a task made difficult by the size and remoteness of the forest area. The trouble never came from local people, the forester insisted, because their lives were too intimately bound up with the health of the forest. The local people love the forest, he said. However, he still regarded his chief task as raising the general level of awareness about the need for conservation.

The lake at the southern extremity of the forest, and the great waterfall that feeds the lake, is already a popular recreation area for people from nearby towns and villages, and an impressive local-style timber building, with high ornately carved roofs, was under construction as the forest centre. The forester showed considerable enthusiasm for the idea of promoting some kind of ecotourism in the forest area, and there is an undoubted potential for such a development in an area where bears and even a few tigers still roam and where fine stands of primary forest have survived on the summits of the hills.

81. The mission's main impression of the environmental impact of HGDPEM in Ha Giang is that it has not been directed at the most critical region, namely the mountainous regions of the east and northwest. Conditions in these areas require urgent attention on the part of both government and international donors. However, the ambitious afforestation targets, to which part of project activity has been attached, mean that it is more important to be seen to be expanding the area of forest (in whatever district) than to address the crux of the matter i.e. the fuel situation and the shortage of combustible material. The northwest is almost entirely deforested and a destructive cycle of flash flood and drought has been initiated. In parts of Xan Min (in the west), the erosion of steep slopes is serious enough to cause repeated landslides on newly-constructed roads (not IFAD-funded), which it is beyond local capacity to repair. There is some evidence that in these areas, road construction itself - an expensive and demanding operation in such areas - is contributing to the patterns of erosion. The main

environmental activity of the project - the issue of forest protection contracts - as well as much of the new plantation, focuses on lowland areas such as Bac Quang. This focus is inevitable, given the present distribution of forest cover, but the mission feels that it is inappropriate that the forest support component of the HGDPEM should be turning a blind eye, as it were, to the districts where an environmental catastrophe is brewing, and it would be wrong for IFAD not to exert maximum pressure on the policy makers to come up with a drastic solution.

82. The accretion of sand dunes along 20 km of the coast of Quang Binh and the gradual intrusion of these dunes into areas of cultivated land has a very long history. Various efforts to redress the situation have been made by international agencies in recent decades, but many of the earlier attempts have been unsuccessful, with survival rates of 10% or less. Some of the so-called new plantation is in fact re-plantation of areas where previous attempts have failed. Do the IFAD activities in this respect stand a better chance of success? The answer is a qualified 'yes'. Under the guidance of the South Forestry Farm and HAFU, the IFAD project has taken steps to avoid some of the previous errors. Casuarina saplings have been correctly and more densely planted, and the early indications are that the active participation of the farmers in selecting the sites and growing the seedlings, as well as in plantation and maintenance, tends to the better protection of the young trees.

83. **Aquaculture.** The activities of the ARCDP aquaculture component in Quang Binh are at an early stage, but the initial environmental impact is positive, with close attention being given to appropriate and efficient feeding of shrimps, thus limiting the build-up of unwanted nutrients in the ecosystem. The incidence of disease has also been reduced through training and demonstrations concerning prevention and treatment. The environmental sustainability of semi-intensive shrimp culture will depend largely on the degree of intensification and continuing attention to monitoring the quality of in flowing and effluent water. As far as the economic impact of shrimp culture is concerned, it is generally recognized that only better-off households have the necessary capital and labour for this kind of enterprise. Aquaculture, on the other hand, offers opportunities and benefits for all farming households and can be practiced alongside other traditional agricultural activities.

84. **Project Management and Coordination.** Project activities must be designed as far as possible to match the managerial reach and technical supervision capacity of existing provincial and district staff and institutions. The capacity, expertise and awareness of project staff have discernibly improved in Tuyen Quang and Quang Binh during project duration. In Ha Giang, due to intensive training in participatory approaches, M&E, and in the management of rural development projects - and also to the presence of international and national advisors - there is now a better understanding of participatory development processes and management. The quality of planning, implementation, co-ordination, supervision and reporting has seen considerable improvement and there is a better appreciation of the transparent procurement procedures and keeping of records required for a foreign assistance project. Compared to the workers selected and trained under other projects and in the earlier period of HGPDEM, the selection of village health workers and commune veterinary workers during 1999/2000 followed a much rigorous selection procedure and the new staff were found to be excellent.

85. However, project coordination at provincial and district levels although improved to some extent remains unsatisfactory at commune level due to a lack of sufficient understanding of the role of implementing partners in project activities, as well as to the absence of participatory planning. Implementing agencies and other stakeholders must recognise the need for the coordinating and monitoring role of the PMU/PCU. Integrated and participatory rural development is a new concept for sectoral staff, and limited capacities exist for undertaking multi-sectoral, multi-level projects. The problems are compounded in the ethnic minority areas where a language barrier exists. The critical phase for intensive training programmes is the first two years, which should be reflected in project design. In addition, frequent changes of trained staff affect project progress and the quality of outputs.

Apart from such unsettling changes of personnel, most implementing agencies suffer from a chronic staff shortage when it comes to managing projects involving complex and time-consuming processes of community participation.

86. **Incentives** for project staff remain an unresolved issue. Staff are expected to conduct PRA and prepare commune development plans and compile reports, in addition to their usual duties. The project should allocate a reasonable amount for allowances and place it at the disposal of the relevant authority with a set of guidelines and criteria that these funds may be utilized. Other options include offering the staff opportunities for combining their job with long distance education through distance learning programmes offered by several agricultural universities in Viet Nam and, through the Internet, by international institutions. The restrictions pertaining to salary levels for local consultants need to be carefully reviewed. If these are set at a level which is too low to attract suitable candidates, projects are left only with the much more expensive and less sustainable option of employing international experts.

87. **Generally**, the UNDP-funded technical assistance has played an important role in strengthening the capacity of implementing agencies, but the appointment of a full-time professional senior technical advisor does not seem to justify the disproportionately high cost involved. Such appointment would make sense only if located in the PPC as advisor on a range of issues affecting the province as a whole. Short-term sectoral or subject matter specialists recruited by the Government seem a more effective option in cost/benefit terms. In any case, a qualified local counterpart must always be attached to international experts for the sake of the sustainability of the technical assistance. For most technical training, local institutions, such as Hue University for ARCDP and HTRDP and Hanoi University for HGDPEM and PRMP, can provide a team of experts in various disciplines. The staff of on-going projects can be used for the training of trainers in PRA, social mobilization, management, and M&E. Technical assistance cofinanced with UNDP and SIDA has been generally effective, although there have been problems of poor coordination, national staff salary issues, and duplication of M&E activities. These can be overcome by a closer understanding between all concerned institutions on standardizing staff incentives and salaries, phasing of project components, and unified M&E activities. Effective cofinancing arrangements with other United Nations agencies should be pursued, for example the cofinancing of technical assistance with the Food and Agriculture Organization of the United Nations or of capacity building training with UNDP.

88. In terms of **Monitoring and Evaluation**, the lessons already learned from the first three projects have been incorporated into the project design of the HTRDP (Ha Tinh), by which the process of participatory feedback from beneficiaries will be initiated by the Community Facilitators, channelled through the Community People's Committee and submitted to District Project Coordination Unit on a six-monthly basis. There will also be regular meetings of farmers and other stakeholders for the purpose of an exchange of information and response. Thus, an effort has already been made to address the perceived shortcomings of M&E in IFAD-funded projects, in particular with regard to participatory mechanisms and periodic feedback. The importance of effective M&E is repeatedly stressed in the design of IFAD projects, but in general (and the three projects under review are no exception to this) the results of M&E are too often restricted to the production of statistical material for mid-term reviews and for supervision and evaluation missions, with a lack of analysis and substance. There is need for a clearer definition and of more focused M&E indicators for impact assessment and further improvements in the feedback mechanism from villages and communes to the district, provincial and central levels.

89. **Disbursement** delays are caused by lengthy procedures for withdrawal applications and their processing by two different sections of the Ministry of Finance, as well as by UNOPS and IFAD, and disbursement of funds to the project account through Vietcom Bank, MOF and provincial treasury.

Urgent attention needs to be given to this problem of the release of project funds, some of which have been held up for long periods at various levels. Confidence in the projects depends on the timely release of funds, and if morale is affected, it is difficult to restore. To address the problem, the initial deposit to the special account can be increased and disbursement procedures simplified. The procedures for procurement of goods and services, particularly civil works, are also excessively elaborate. The PCU/PMU need be involved only at the final stage when UNOPS approval is to be obtained, and the second technical scrutiny by the PPC could be eliminated.

B. Sustainability

90. **Institutional Sustainability.** The mission's findings were positive with regard to the overall sustainability of implementing institutions.

- The IFAD-funded projects have not created additional unsustainable layers of institutions, with implementation arrangements being made through sustainable existing institutions.
- All implementing agencies maintain an institutional culture in dealing with the sectoral service deliveries.
- Capacity building of institutions through training and learning-by-doing has been the major focus of all projects.
- The majority of institutional training has been oriented towards improving and updating technical skills.
- Staff salaries and incentives are within government norms.¹⁶

91. **Beneficiary Organizations.** The project strategy is well designed for a high level of beneficiary participation through capacity building support to primary-level beneficiary organizations such as self-help groups, development boards and user groups. The sustainability of the organizations poses no problems at grassroots level and thus access to rural credit can be sustained through the savings and credit groups, minor irrigation schemes through the water-user groups, and agricultural and livestock activities through the agricultural extension and animal husbandry workers at the commune level. The commune/village development boards created for the project-related sectoral activities may not be sustainable after project completion.

92. **Project Design.** The sustainability of poverty reduction projects depends primarily on the basic viability of the components, which in turn is determined largely by their cost efficiency and appropriate technical design. The IFAD-supported projects are generally cost effective and the technical designs are appropriate. The implementing agency in conjunction with the beneficiaries should include a post component design incorporating financial and human resource allocations and other related details required for operations and maintenance and these should be included in the project exit plan.

93. **Rural Civil Works.** In the case of labour intensive rural-works, the beneficiary groups must be involved in devising strategies that will ensure the continuation of benefits beyond the project implementation phase. There must be self-reliant and well-trained labour crews to take full responsibility for the operation and maintenance of project schemes, and in places where beneficiary groups have not emerged, it is important to devise an alternative arrangement to ensure sustainability.

94. The critical factor of sustainability for micro-irrigation schemes is participation while for small irrigation schemes and inter-commune roads is adequate administrative support. For most of the water user groups, 60% of irrigation fee was set aside for major repair and future development, while 40% was spent for recurring costs. Increasing the portion for saving would be beneficial for long-term sustainability. In cases of domestic water supply where beneficiaries exist in notably disadvantageous

¹⁶ See relevant section of Chapter Four for the implications of low salary levels.

conditions and no contribution is presented, such as in Ha Giang, the granting of even partial ownership and responsibility to the villagers would serve to increase their experience of self-management. A further factor would be simplicity of structure. For example, water points without faucets, ideal for minimizing maintenance and repair, have been installed in Ha Giang.

95. **Poverty and Gender Impact.** Sustainability of the favourable poverty impact of the projects depends on the sustained flow of credit to the poor and on whether social security measures are put in place to help the poor cope with contingencies like ill health, death of family member and disasters. These mechanisms are lacking in the credit component of Quang Binh, and need to be strengthened in the other two projects visited. Joint titles to land and houses are particularly important for the sustainability of gender impact, and this needs to be pursued at the central Government level. Participatory processes can be sustained beyond the project period only if they are institutionalised within existing structures i.e. people's councils and committees at all levels, and government line departments. Poverty alleviation will be sustainable only when the poor are represented in institutions at the national level that they can use to assert their interests and to organise access to resources.

96. **Environment.** The destruction of the young casuarina plantations in the sand dune areas of Quang Binh has been caused primarily by de-branching for fuel wood. Such is the shortage of combustible material in the coastal region that unless alternative sources of cheap fuel are made available, the depredations will certainly continue in all areas except where existing trees are understood by the local villagers to be performing a vital role as a physical barrier against the sand or in the creation of micro-climatic enclaves. Thus, the problem is not whether the dunes will support a forest nor is it a question of which trees are appropriate. If the fuel situation is not addressed as a matter of urgency, the very fine project stands of mixed casuarina and acacia or any new plantations will suffer the same fate as the extensive plantations that were established before the war.

Sand Dune Fixation in Quang Binh

The mission noted that even in the areas seemingly most under threat from the movement of sand dunes in the coastal area south of Dong Noi, new houses were being constructed. A number of interviews were therefore conducted with inhabitants of these areas, some of whom had lived here - in this narrow strip between the main highway and the dune area - for a considerable time. The inward-facing slopes of the nearest dunes were covered with a variety of native trees and bushes, of which the species *Dai* was the most prominent. The villagers fully recognized the importance of this vegetation and all of them reacted strongly to the suggestion that this vegetation might be under threat from fuel wood collection. It was true that fuel wood was in very short supply (and an army of small boys were on hand to grab up even tiny sticks that were unloaded with the soil brought in for the purposes of improving and extending the adjacent highway) but it was unthinkable that anyone would cut wood from the crucial barrier behind the houses. Those dunes had not moved for as long as anyone could remember, and the construction of new dwellings hard up against the dunes was proof of the villagers' confidence that this would continue to be the case.

There is no doubt that wide-rooting native trees such as *Dai* provide the very best protection against sand dune movement, but they are very difficult to cultivate and take many years to become established. However, these dense natural barriers do provide a model for what must be sought in other areas of the sand dunes.

IV. LESSONS AND RECOMMENDATIONS

A. Targeting

97. The main lesson under targeting is that unless there is a clear-cut commitment to working towards household level food and nutritional security, the poorest may derive less benefit from the projects than the poor in general. Spreading project resources across entire provinces may not be the best strategy to improve the food and nutritional security of the poorest households. Concentrating on the poorest districts, and the poorest communes, villages and households within these districts, may be necessary, and, since the initial asset base and the question of land security have a bearing on the extent to which the poor can derive benefits from project interventions, efforts to strengthen land security and the initial asset base may also be required. Targeting instrumentalities need to be conceived as being part of an "inclusive" approach to fostering of local institutions. The lessons emerging from IFAD's evaluation exercises in a number of countries including Viet Nam confirm that the poor clientele can not be reached through narrowly targeted interventions which view such households as "enclaves" rather than as an integral part of rural communities. In the context of Viet Nam, poverty eradication strategies can best succeed with the full involvement of the Peoples' committees and peoples' councils. Efforts to bypass them through externally assisted participatory bodies would not succeed. Such participatory mechanisms need to be mainstreamed into the local governance structures and be given a pro-poor orientation through capacity-building support and policy dialogue. It is suggested that VDBs and CDBs should assist the disabled and elderly to access social security support from the government.

98. IFAD should sharpen the focus of its activities in Viet Nam so as effectively to reach the poorest, the hungry and malnourished, and to strengthen food and nutritional security at the household level. For poverty alleviation, rural development projects should continue to be multi-sectoral, integrated and community-based, specifically designed to improve the livelihood prospects and living standards of targeted groups of poor people through social mobilization, improving access to productive resources, services, and markets needs. The ultimate aim should be sustainable livelihoods rather than optimizing land-based production in a short-term time horizon. Thus, incentives need to be kept in view in balancing objectives of household food security, income generation and sustainable management, conservation and regeneration of a vulnerable natural resource base. Within each province, the focus should be on the HEPR districts and communes, and the poorest villages and households should be identified through a combination of Ministry of Labour, Invalids and Social Affairs and PRA criteria. Due attention should be given to women headed households and young farming families.

Problems of farming couples in Tuyen Quang

Lo Seo Surey is a 24-year-old man from the H'mong community who set up his own independent house with his young wife and child eighteen months ago in the remote Xom Chu village of Da Vein commune in the Yen Son District of Tuyen Quang. His household is classified as poor according to the PRA wealth ranking method. He has two *shous* of upland rainfed land and owns one buffalo.

According to Lo Seo Surey, it is young farming families who tend to have the least land and capital as well as suffering from a lack of adult labour that makes wage labour out of the question. Neither he nor his wife were able to become members of any mass organization or savings and credit group, and they have so far not benefited from any of the components of the IFAD-supported project in Tuyen Quang province. Lo Seo Surey's parents are better off than him, and help him and his wife cope with 2-3 months of food shortages each year. Being near the forest, he feels there is scope for bee keeping and for the exploitation of forest produce. His wife has some skill at traditional embroidery work, the potential for which could be tapped in the future.

B. Social Mobilization and Capacity Building

99. IFAD supported projects have placed emphasis on the active participation of the rural poor in the process of design, implementation and evaluation of projects and programmes aimed at benefiting the poor in their social and economic advancement. The projects have been particularly successful in involving the poor communities through PRA methodology to determine the content of research and extension priorities and in classifying households into wealth categories that provided the main targeting instrument in the project areas. The projects have also been successful in forming a variety of self-help groups, which are involved in planning and managing micro-irrigation and drinking water schemes, access to credit, road programmes, sand dune fixation, forest protection and agricultural extension activities. Apart from promoting efficient and sustainable management of resources, these self-help groups have created opportunities for the poor to participate in decision-making processes. Capacity building for different stakeholders in the participatory process is one of the strengths of all the projects. Nevertheless, the attention paid to mainstreaming poverty concerns and organizing inter-sectoral training programmes is as of now inadequate. Greater delegation of financial powers to CDBs (like issue of contracts) is called for with respect to village level micro-schemes. This will increase transparency and accountability.

100. A very important lesson learned is that unless mechanisms for the participation of the poor are in place at the project appraisal and design stage, participation will be merely token in nature. Similarly, PRA can be an important tool for strengthening the participation of the poor in the planning, M&E of poverty alleviation projects only when capacities, will and resources are available to enable Government to institutionalize PRA methods within their overall provincial, district and commune level planning. Given that the most vulnerable groups do not as yet occupy decision making positions in existing organizations, it is important to continue the present strategy of empowerment through the creation of self-help groups around specific sectors. However, it is important that both the traditional and new forms of popular organization come together through the VDBs and CDBs for participatory planning, M&E. Further, the rules of the self-help organizations regarding membership fees, user charges and contributions have to be designed in such a way that they are pro-poor.

101. The establishment of Community Development Funds to meet the communities' expressed needs gives a lot of flexibility in the area of poverty reduction and nutritional security, empowers local communities and provides an effective instrument for decentralized allocation and participatory control mechanism. However, there is still great need for priorities of public investment to be reoriented to address effectively those factors that limit the opportunities for the poor to participate in the benefits of market reforms. For the uplands in particular, these factors include lack of physical and institutional infrastructure (roads, credit, land and water), opportunities for off-farm diversification and employment, and isolation from trade and market networks.

102. IFAD's comparative advantage over other donors is its commitment to an efficient and proven approach towards poverty alleviation employing a multidisciplinary, integrated programme to empower the poor and poorest to improve their own livelihood. This approach depends on the presence of personnel trained in PRA and the major relevant subject matters, a condition that was not satisfied in the early stages in any of the four on-going projects. However due to intensive training, the capacity, expertise and awareness of project staff in participatory approaches, M&E, and management have discernibly improved during project implementation. In the course of the preparation of the Ha Giang Development Project, UNDP funded a preparatory phase that provided necessary support to the provincial government and implementing agencies that allowed them to play an effective role in the formulation/appraisal of the project. This preparatory assistance helped also to establish a project office and recruit all key staff immediately after the signing of the loan agreement. In view of the experience

gained, the Mission recommends that for future projects, IFAD Management gives careful consideration to instituting a project pre-appraisal preparatory phase so that people's priorities as identified in PRA can shape project design. The cost for social mobilisation and capacity building during this preparatory phase could be covered through either an IFAD grant or loan (retroactive financing).

C. Participatory Adaptive Research and Extension

103. The extension system in Tuyen Quang as well as in Quang Binh and Ha Giang, backed by a system of applied and adaptive research, has been effective in generating appropriate technical packages and messages and in interacting closely with farm households that provide to both researchers and extensionists local knowledge and feedback on the effectiveness of the innovations and technologies being tested. The extension centre became the flag bearer of decentralization and participation and the extension staff became the key facilitators of most project activities. Increases have been achieved in crop yields and in forest cover with more forest areas remaining intact. Similarly, improved veterinary outreach has reduced mortality in pigs and poultry and led to improved growth rates. The extension services have also made advances in fish rearing, the establishment of fish and shrimp hatcheries and the prevention of disease and treatment. Commune-level PRA has identified many development problems that need to be researched and find sustainable solutions for the benefit of the highland farmers, including varieties of potatoes, maize, soybean and fruit trees; a programme on hybrid rice; and poultry production by very poor households.

104. In terms of livestock, the poorest households possess only chicken, and it is recommended that smallholder poultry production becomes part and parcel of all IFAD supported projects. Women should be given appropriate training and be linked up institutionally, probably to the women's union. The improvement of traditional feeding systems is an area that deserves more attention, with greater focus on local feed resources and collaboration over extended periods with research institutions. The fodder question goes much deeper because crop residues and other organic materials are also used as fuel in areas of denuded hillsides. It calls for the development of a comprehensive livestock strategy to cater for both feed resources and number and type of livestock used. Investments in all livestock can be made more secure through preventive vaccinations and funding of a veterinary infrastructure that will ensure the required outreach. It is advisable that veterinary health workers work closely with the micro-credit programmes. From a hunger and poverty eradication perspective, access to micro-credit and preventive livestock vaccinations command very high priority for most of the hungry and poor households. It is also recommended that home gardens and improved cropping patterns be promoted as part of the agricultural extension package and that nutritional education be woven into training programmes of SCG and VDB members in order to strengthen nutritional security.

105. The successful integration of agro-forestry and livestock into cropping systems in developing sustainable livelihoods in the uplands, rather than optimizing land-based production in the short-term, has validated the relevance of both the PRA methodology and multi-disciplinary and farming systems approach to research and extension. However, incentives need to be kept in view in balancing objectives of household food security, income generation and sustainable management, conservation and regeneration of a vulnerable natural resource base. Strengthening of the demand-driven participatory research and extension system requires additional investments in training of staff and essential infrastructure, improved access to micro-credit at market related interest rates, and provide clear land-use rights and awareness building about longterm security of such rights to stimulate investment and uptake of improved technology.

D. Gender Mainstreaming

106. The key role of women in agriculture, livestock, and rural marketing is recognized and the IFAD supported projects have contributed in different ways to addressing the gender-specific causes of poverty. However, there still exists significant inequality in the distribution of power within the household in terms of decision-making, work load, representation in institutions, access to productive assets, such as land and credit and education for some ethnic women. Gender mainstreaming is not an issue of policy bias but rather a function of traditional cultural values and constraints. Gender mainstreaming is essential if poor women's food and nutritional security is to be addressed by the project on a sustainable basis. Gender concerns should be explicitly woven into all aspects of project design and the gender-specific causes of women's poverty should be identified.

107. A two-stage strategy is recommended for mainstreaming gender into project design: (i) formulation of gender-focused activities, including micro-credit, drudgery reduction, and access to fuel, and (ii) mainstreaming of gender concerns into all components. All PRAs should be conducted separately for poor women and men using gender-specific PRA tools for problem analysis, ultimately leading to the formulation of a women's development plan in each village. In line with the National Plan of Action for Women, at least 30% of members and leaders of mixed self-help groups initiated by the project should be poor women. The project should also strive to increase poor women's representation in existing decision making bodies and mass organizations, and gender concerns should be included in all stakeholder training and capacity building programmes. Gender mainstreaming should be given more attention through the utilization of gender specific analysis methods and gender disaggregated data.

108. With respect to broader policy, it is recommended that the Government: (i) approves the VWU proposal that all land and housing titles should be issued in the joint names of men and women, otherwise there is a danger that the gains to women may not be sustainable; (ii) encourages increased representation and greater influence of women in public institutions; and (iii) ensures that ethnic women have equal and adequate access to education and health services.

E. Financial Services

109. Experience has shown that micro-credit is a powerful tool for poverty reduction and deserves to be an important component of IFAD's multidisciplinary approach. The projects have made important advances in the delivery of micro-credit at community level. In each province that an IFAD supported project is being implemented, there is in place and operates satisfactorily a co-management credit delivery framework with the Vietnam Bank for Agriculture Rural Development, the project and the VWU and/or the farmers associations as major partners, the two mass organizations being responsible for the operational side of the scheme. The women's union and the farmers associations organize SCGs, decide (in consultation with group members) how the limited credit available is to be shared between groups and within members within groups and collect interest with the groups undertaking joint and several liability for defaulting members. An important lesson learnt is that the rural poor communities in Viet Nam have accepted widely the savings and credit concept and have overcome the barriers of working jointly in-groups of trust for mutual financial benefit. The social pressure as a guarantee for small loans is proven to be so strong that it has not only made it possible for poor households to access credit but also provided collateral and, practically, a hundred percent loan recovery. Notwithstanding weaknesses, the co-management arrangement in the delivery of rural credit constitutes a success story that could provide a model for replication in other IFAD supported interventions within the general empowerment/participatory context.

110. Another important lesson is that the coalition in project activities with mass local organizations and suitable local/international non-governmental organization's (NGO's), with hands-on experience in mobilizing and empowering rural communities and women specifically, could generate added value in a cost-effective manner, for the benefit of rural poor. Experienced NGOs could supply technical support

and provide a sustainable link between the private sector and the rural communities in terms of inputs and marketing opportunities and facilitate the use of modern technologies with the view to optimizing costs and promoting sustainability of services.

111. The absence of an adequate financial delivery system to meet the credit requirements of rural poor and support technical diversification makes it imperative to look for a sustainable structure that would fill the rural finance gap. The practical experience of international NGOs and of IFAD supported projects, in both Viet Nam and other developing countries, point to a model of rural finance institutions. A favorable policy environment would encourage and facilitate the establishment of a network of rural finance institutions such as village-based SCAs that could provide to their members loans through the mobilization of savings. A favorable policy environment would lead also to the establishment of second degree SCAs (federations) at commune and provincial level to provide refinancing, support services and internal control of SCAs, and eventually the establishment of a national apex institution (third degree) to become the central finance facility of the network and sustain the SCA creation process.

112. It is, therefore, recommended that the projects support the consolidation of the existing SCG network and its further development into village-based finance institutions for servicing the financial inter-mediation needs of the poorer income groups. Strengthening of these institutions should involve accompanying measures in the field of training, institution building and development of the appropriate legislative and regulatory framework. The support should aim towards the development and consolidation of a long term sustainable micro-finance system, capable of extending financial services to the poorest target groups in the country for both agricultural and non agricultural activities.

F. Rural Infrastructure

113. The rehabilitation/construction of roads and irrigation schemes had a positive impact on the development of both poor households and rural communities. Lack of inter-commune and district roads would affect provision of health services linked to medical centres, inaccessibility of communities to centres of education and an overall reduction of the exchange economy's performance due to reduce access to traded commodities. However, improvement of intra-commune or intra-village roads without prior improvement of inter-commune or district roads is impractical and uneconomic. Main roads should be constructed/rehabilitated by Government and their maintenance be institutionally guaranteed and be carried out by the central or provincial authorities. Similarly, in districts where the irrigation infrastructure is weak, targeting only the smaller schemes will not achieve a significant economic impact unless the larger irrigation systems are upgraded.

114. Targets and site selection for infrastructure development activities should be based on the findings of PRAs conducted periodically during implementation rather than pre-targeted as defined during the project design process. Greater resources and efforts need to be expended in social mobilization and user group formation to support infrastructure construction, supervision and maintenance. In the case of labour intensive rural-works, the beneficiary groups must be involved in devising strategies that will ensure the continuation of benefits beyond the project implementation phase. There must be self-reliant and well-trained labour crews to take full responsibility for the operation and maintenance of project schemes, and in places where beneficiary groups have not emerged, it is important to devise an alternative arrangement to ensure sustainability. Detailed data about infrastructural development, such as the total length of roads of each category and their rate of improvement, are not available in most of the provinces although a database for rural infrastructure is being developed in Ha Giang. This kind of database would be useful to identify infrastructure development needs and coordinate interventions.

115. In future micro-schemes, the highest degree of flexibility should be granted to the component budget to ensure that target selection is based on PRA findings. The budget for the infrastructure

component and the community development fund should be formulated in a way that allows for the greatest flexibility in meeting expressed community needs. Contracting practices should be rationalised in order to optimise benefits. For the construction of micro-irrigation schemes, the projects could supply only material and technical assistance, leaving actual construction to water user groups.

G. Forestry and Environment Protection

116. There was no forestry component as such in the PRMP in Tuyen Quang, but the work of the project complemented and aided the process of re-greening, by contributing to food security and thus relieving the pressure on the forests. Various efforts by international agencies in recent decades to use tree planting to counter the gradual intrusion of sand dunes into areas of cultivated land in Quang Binh have met with little success with survival rates of 10% or less. Such is the shortage of combustible material in the coastal region of Quang Binh that the young *casuarina* trees have been destroyed primarily by de-branching for fuel wood. A lesson learned is that for as long as there is such an acute shortage of fuel, the depredations will continue in all areas except where existing trees are understood by the local villagers to be performing a vital role as a physical barrier against the sand or in the creation of micro-climatic enclaves. Guided by experience, *casuarina* saplings under the IFAD supported project have been planted in a participatory arrangement with the communities on the basis of an agreed plan that aimed to promote the emergence of micro-climates that would allow both cultivation and settlement. Sustainability of these plantations will be greatly enhanced if alternative sources of fuel, such as subsidised coal or gas, are provided.

117. In Ha Giang, urgent measures are required to reverse the deforestation of the upper slopes in the highland areas. In certain areas of the northernmost districts, the pernicious cycle of deforestation, flash floods and drought is already far advanced. In the absence of drastic measures, the government's intention of preventing the expansion of shifting cultivation and further migration stands little chance of being achieved, and large populations of H'mong farmers will effectively become environmental refugees. The mission recommends the enforcement of a strict ban on the cultivation of the upper slopes of threatened areas. Extra rice rations may be necessary as a temporary measure and should be made as payment for reforestation activities. The cost of this should be set against the direct cost of the accelerating cycle of flooding and drought in the region. The mission recommends also that the system of forest protection contracts be seen as an initial step to returning the care and management of protection forests to the local communities, which in many cases successfully acted as the guardians of these forests over many centuries. Indigenous knowledge accumulated over centuries is finally the strongest guarantee of sustainable forest management, with technical assistance and expertise made available where appropriate. However, the Government should continue to be responsible for forest policies including planning and forest management, and should retain a regulatory and supervisory role over community forest activities.

Forest Protection in Ha Giang

In the house of Mr Tao, in Quang Ba town in the temperate region of Ha Giang province, a group of foresters lunched with the mission and discussed the condition of the local forests. Under discussion was the policy of granting forest protection contracts to local farmers whereby farmers were paid over five years for the protection and improvement of forest areas. It was generally felt that the system was working well in that it gave individuals a sense of responsibility for the forests and encouraged their conservation, but the problem of sustainability was raised: what would happen at the end of the five years? This question led to a consideration of alternative, more sustainable, options. It was pointed out that the great majority of deforestation in the area had been carried out by outsiders, either for military or commercial purposes, and that up to thirty or forty years ago the forests had in fact been well cared

for by local people, who fully appreciated the value of extensive and healthy forests in terms of micro-climate and the prevention of erosion. The strict measures adopted by the Government had, it was agreed, been important in the re-greening of the province but eventually the ownership and guardianship of the forests should be returned to the local communities themselves. If the forest protection contracts were seen as a step towards this, then the sustainability of the process would be ensured.

H. Project Management

118. The project design emphasises thorough staff training and the development of the management processes necessary for successful implementation. For reasons of efficient use of limited trained manpower and financial resources, and for the sustainability of project services in the post project era, the use of in-line Government institutions for project implementation has proved valid and sound. The capacity, expertise and awareness of project staff have discernibly improved with time in all projects. Due to intensive training, the quality of planning, implementation, coordination, supervision and reporting has seen considerable improvement and there is a better appreciation of the procurement procedures and keeping of records that are required by the foreign assistance projects. However, project coordination at provincial and district levels although improved to some extent remains unsatisfactory at commune level, where there seems to be a lack of clear understanding of the role of implementing partners for project activities. Despite initial delays, the UNDP-funded technical assistance has, generally, played an important role in strengthening the capacity of implementing agencies. Short-term sectoral or subject matter specialists recruited by the Government seem an effective option in cost/benefit terms. For most technical training, local institutions, such as Hue University for ARCDP and HTRDP and Hanoi University for HGDPEM and PRMP, can provide a team of experts in various disciplines. Also, the staff of on-going projects can be used for the training of trainers in PRA, social mobilization, management, and M&E for other projects. It is recommended that the PPCU continues to act as catalyst in strengthening the capacity of all implementing agencies and institutions. There is a need to: (i) ensure more effective co-ordination among the donors involved to ensure streamlined planning and operations; (ii) develop a common framework for national staff and consultant salaries, incentives and related allowances; and (iii) harmonize M&E systems and activities, so that projects and counterparts are not overwhelmed by having to prepare different reports for various donor agencies on the same activity; (iv) develop more focused M&E indicators for impact assessment and introduce further improvements in the feedback mechanism from communes and villages to the district, provincial and central levels. In view of the critical need to have trained staff available as early as possible in the project's life, if possible during the first two years of implementation, it is essential that this need be reflected in project design. A pressing challenge for IFAD is the need to assist the Government to prepare project exit plans to cater for the consolidation and further development of project achievements.

I. Decentralization and Project Implementation

119. There exists a close link between emergence of dynamic participatory mechanisms and effective decentralization at the grass roots. Participation of grass roots can be promoted only through a decentralized project planning and budgeting from the province to district and commune levels. Viet Nam is still struggling to overcome the mind-set created by earlier centrally planned and top-down approaches to setting targets from "above" which drive the production and investment decisions at the local levels. The IFAD supported projects have contributed to changing attitudes and approaches to development planning, budgeting, implementation and monitoring. Decentralized decision making and financial responsibility does exist at provincial level, but greater autonomy in terms of planning and financial management is needed at district and commune level, to facilitate and improve the development process. With regard to project implementation, experience illustrates that better results

are achieved when delegation of authority for operations and budget allocations of the component and all implementation responsibility is handed over to the activity managers and task supervisors of the departments mainly at the district level. Communes should also be involved in periodic participatory M&E, and the disbursement of goods and services should be based on their written approval and certification. It is recommended that IFAD continues its policy dialogue with the Government to help it make additional advances towards decentralisation and empowerment within the letter and spirit of Decree 29.

J. From Area-Based Rural Development Projects to Funding Institutions

120. A participatory approach was adopted during both the formulation and execution of the IFAD supported projects whereby there was an intensive interaction between project designers, implementers and concerned parties at all levels, including the indigent rural households, the commune, district officials, the staff of the agricultural and other line agencies, and the key authorities of the Provincial People's Committee and People's Council. Keeping in view with the socio-economic complex of the provinces, detailed studies and PRAs were undertaken prior and during implementation including consultative workshops and every effort was exerted to ensure that projects were responsive to the local conditions and aspirations. The design benefited also from the knowledge and experience of IFAD and donors in Viet Nam and other countries. This process culminated into designing integrated, area-based, rural development projects with a strategic focus towards institutional development.

121. By creating institutional structures and targeting concurrently social and technical components, the IFAD supported projects have validated the modern view that in poverty alleviation the major problem is not the scarcity of resources but access to resources. A lesson learnt is that the bottom line is the development of participatory processes and enabling local institutions that empower the poor to take part in defining the rules that determine their lives. Not organized poor are powerless and remain excluded from the political and economic system. In addition to asset formation, supply of inputs, provision of credit, development of infrastructure, extension of forests and protection of the environment, etc., tangible benefits included strengthening the capacity and promotion of the formation of community-based organizations as a medium for self-mobilization for development purposes, and emphasis on decentralization and bottom-up approach that provided development models to other poverty alleviation programmes. Participation helped also reduce public infrastructure maintenance problems through greater ownership and responsibility by local communities. A substantial body of expertise is now available in Viet Nam, which is able to provide assistance in key areas including development of community-based approaches, technical assistance, and support for project management, training and participatory research and extension. In fact, the IFAD supported projects can provide a self-reliant model for rural development and poverty alleviation, which may be replicated by Government and by other donors.

V. KEY POLICY ISSUES

122. The findings of the CPRE broadly confirm the validity of IFAD strategy in Viet Nam as outlined in the COSOP of December 1996, with its clear emphasis on the targeting of the poorest communes and the development of participatory processes. However given the profile and the nature of rural poverty in Viet Nam, there is need for an enhanced focus in development cooperation towards institutional development. Within such a strategic approach, community-programmes will be carried out on the basis of a flexible lending mechanism framework to allow for the community expressed needs, as identified by needs and priority participatory rural appraisals, to be met. A number of key policy issues that have emerged during the CPRE require joint consideration by IFAD and the Government. These include:

123. **Decentralization, Participation and Empowerment.** Under the IFAD supported projects, decentralization and participation have emerged as crucial issues in developing local ownership and capacity. IFAD experiences and insights have led to completely new approaches. IFAD is already providing support to strengthen the capacity and authority of sub-provincial level i.e. commune and village based institutions and their relations with the rural private sector, and it will continue to do so, both within the context of the ongoing projects and under any new intervention. Participation and empowerment are of importance both to communities, to enable them to identify, plan and manage their development works and activities; and to small-scale producers, to assist them to more effectively manage their resources, interact with markets and influence policy towards the sector. IFAD supported projects gained useful experience in both the development of processes for, and the operationalization of community-based approaches. Participation of grass roots can be promoted only through a decentralized project planning and budgeting from the province to district and commune levels. Although the Government decree 29 provides for decentralization and participation at commune level, the provincial governments have been reluctant to relinquish the financial control upon which effective decentralization depends. In spite of the initiatives concerning commune level PRAs/PLAs, central planning agencies and provincial sectoral authorities have in many cases been unwilling to promote the genuine decentralization of planning and implementation functions. In policy dialogue, IFAD's comparative advantage lies in the area of local participatory and funding mechanisms and how these can be integrated with the system of fiscal devolution to the communes. The bottom line must be the local institutions that empower the poor to take part in defining the rules that determine their lives. Yet, local empowerment and the development of institutions of the poor alone will not be sufficient. Only when the poor and their interests are represented in institutions at the national level will there be a policy for the poor.

124. **Financial Services.** Implementation of the credit programme has been problematic in all projects. This is partly due to institutional weakness of the credit delivery mechanisms in Viet Nam and partly due to ambiguity in the government's policy approach to micro-credit as an instrument of poverty reduction. Credit to the poor is provided at subsidised rates of interest, which makes it difficult for commercial banks, including VBA to enter the area of rural financial services for the rural poor. Apart from limited presence of formal banking institutions in rural areas, inability to offer collateral limits further access to formal finance by the rural poor. The solution for such remote areas lies in credit retailing by financial intermediaries.

125. It has been widely recognised that the main problem for rural development is not the lack of credit funds or the level of interest rates. It is rather one of organising access to financial resources, and establishing conditions of production that allow savings and make investments profitable. The conventional approach usually implied the design of credit-line projects, executed by state banks that generally dictated to the borrower the conditions and purposes and the use of funds, often incorporating obligatory input packages into the terms. The new way paved by the institutional development approach

aims at helping the poor mobilize their own resources and establish local savings and credit systems. It empowers the poor to take their own decisions concerning the terms and designated use of credits, and it facilitates their link with commercial financial institutions. The financial autonomy of micro-finance organizations and financial intermediaries, i.e. their independence from external subsidies, is a key prerequisite for broad-based poverty reduction. The success of external assistance is to be measured both on the basis of the number of households that sustainably cross the poverty threshold and on the economic viability of the involved institutions. The lack of these institutional underpinnings explains why the development-policy landscape, above all in the financial sector, is strewn with the ruins of pilot projects.

126. A favourable policy environment would encourage and facilitate the establishment of a network of rural finance institutions such as village-based SCAs that could provide to their members loans through the mobilization of savings. A favourable policy environment would lead also to the establishment of second degree SCAs (federations) at commune and provincial level to provide refinancing, support services and internal control of SCAs and eventually the establishment of a national apex institution (third degree) to become the central finance facility of the network and sustain the SCA creation process. Issues for policy dialogue include: (i) support and consolidation of the existing SCG network and its further development into village-based finance institutions for servicing the financial intermediation needs of the poorer income groups; (ii) strengthening of these institutions through accompanying measures in the field of training, institution building and development of the appropriate legislative and regulatory framework; (iii) vision for the development and consolidation of a long term sustainable micro-finance system, capable of extending financial services to the poorest target groups in the country; (iv) below-market interest rates which prevail in much of the formal credit operations; and (v) a recognition that very poor households would still need a transparent programme for a targeted safety net support for meeting their consumption/production needs as part of a social fund type package.

127. **Gender Mainstreaming.** Although, the key role of women in agriculture, livestock, and rural marketing is recognized and the IFAD supported projects have contributed in different ways to addressing the gender-specific causes of poverty, there still exists significant inequality in the distribution of power within the household in terms of decision-making, work load, representation in institutions, access to productive assets, such as land and credit and education for some ethnic women. Gender mainstreaming is not an issue of policy bias but rather a function of traditional cultural values and constraints. Gender mainstreaming is essential if poor women's food and nutritional security is to be addressed by the project on a sustainable basis. Gender concerns should be explicitly woven into all aspects of project design and the gender-specific causes of women's poverty be identified.

128. Some of the issues which need to be pursued in policy dialogue include: land titles to women farmers as otherwise women may be getting disenfranchised of their land use rights; increased presence of women and greater influence in public institutions; ethnic women have unequal and inadequate access to education and health services.

129. **Marketing and Commercialization.** An area of great strategic importance to IFAD is commercialization of production systems and the development of enhanced commercial linkages between small-scale producers and private markets for inputs, produce and production support services. With the introduction of market liberalization and privatisation of trade, the rural markets have progressively replaced the state-owned shops as the focal point for the exchange of goods, although the centralized system still dominates rural trade. The 1996 COSOP does not elaborate on this issue. Starting point is the recognition that continued exclusive emphasis on food crop and livestock production will not have a major impact in reducing rural poverty. Rather, increased rural incomes and broad-based economic growth depend upon the ability of smallholder producers to participate better in the

rapidly expanding market complex. They are constrained from doing so by a number of factors, including their lack of relevant skills; weak infrastructure, particularly roads; low production levels; the lack of an intermediary level rural trade network; and inadequate services and information on price and market potentials and requirements. All lead directly to low produce prices, consumption-oriented production systems and low household incomes. These elements are essential constituents of an enabling economic environment for rural producers and can be created and influenced mostly by the work of institutions. Appropriate policies need to be developed and implemented to allow both the smallholders and the private sector to develop together in a manner that is efficient and equitable.

130. There is a crucial role for Government to play in promoting these linkages: in establishing together with the main stakeholders a facilitating policy, legislative and financing framework; and in managing the supply of a limited range of public goods and services. Performing this role, it will seek not only to influence the rate at which the market development process takes place i.e. making it a more rapid process but also to affect its form, by facilitating the maximum spread of benefits to as wide a range of rural households as possible and eliminating those barriers which could inhibit the participation of the poorer members of the community in the market development process. The challenge consists in promoting private-sector solutions such that the interests of small farmers are institutionally secured. In the age of economic globalization, the vision and primary task of public investment in poverty alleviation, including development aid, is to create conditions that guarantee the poor access to the formal private sector. This intermediary and linking function should enable not only the access to the national and international markets, but mainly the creation of an institutional and environmental framework allowing the poor to exploit the development potentials of the private sector. This strategic approach should remain central and provide the basis for any new IFAD intervention in Vietnam.

131. Role of Mass Organizations and NGOs. Mass organizations, such as the VWU and the farmers' association play an important role to connect the government and the civil society. The women's union, in particular, has developed strong implementation capacity and has been closely associated with IFAD projects providing assistance in training and group formation of rural women. Essentially, the relationship has been one of perceiving the women's union or the farmers association as "service providers".

132. Mass organizations, which originated in the centrally planned era as front organizations, have the infrastructure and outreach to transform themselves into genuine NGOs. With the Government's adoption of Decree 29 on Vietnam's Grassroots Democracy, mass organizations have a potential role in assisting poor sections of rural society to participate in local governance. Viet Nam now has some 300 international NGOs operating in the country, of which about 50 are involved in agriculture, rural development, environment, forestry and aquaculture including OXFAM (UK), OXFAM (Belgium), AAV and Save the Children Fund (UK) that have developed in the Ha Tinh project province, inter alia, participatory approaches in irrigation development and micro-finance schemes based on small savings and credit groups. These NGOs provide a rich experience to encourage development of local NGOs.

133. An important area of policy dialogue is the promotion of a greater role for civil society in the development process through formation of community-based groups/organizations that would operate in remote upland areas in close association with mass organizations and with capacity building support from local or international NGOs. The coalition with mass organizations and suitable local/international NGO's, with hands-on experience in mobilizing and empowering rural communities and women specifically, could generate added value in a cost-effective manner, for the benefit of rural poor. Experienced NGOs could supply technical support and provide a sustainable link between the private sector and the rural communities in terms of inputs and marketing opportunities and facilitate the use of modern technologies with the view to optimizing costs and promoting sustainability of services.

