

## Project Completion Report Validation

### Project for the Sustainable Economic Empowerment of Ethnic Minorities in Dak Nong Province (3EM)

The Socialist Republic of Viet Nam

Date of validation by IOE: April 2018

## I. Basic project data

			Approval (US\$ m)		Actual (US\$ m)	
Region	Asia and the Pacific	Total project costs	23.8		23.04	
Country	Socialist Republic of Viet Nam	IFAD loan (including IFAD grant of US\$0.5 m) and percentage of total	19.9	83.6%	19.41	84.2%
Loan and grant numbers	Loan 810-VN and Grant I-C-1200-VN	Borrower	2.3	9.6%	2.26	10%
Type of project (subsector)	f	Viet Nam Bank for Agriculture and Rural Development (AGRIBANK - VBARD)	0.9	3.8%	0.85	3.8%
Financing type	e					
Lending terms	HC					
Date of approval	21 April 2010					
Date of loan signature	9 November 2010	Beneficiaries	0.7	2.8%	0.43	2%
Date of effectiveness	01 January 2011	Other sources				
Loan amendments	1	Number of beneficiaries	138,510 beneficiaries in total		118,828 direct and 30,000 indirect	
Loan closure extensions	None					
Country programme managers	H. Pedersen Atsuko Toda	Loan closing date	30 June 2017		30 June 2017	
Regional director(s)	Hoonae Kim Nigel Brett (acting) Thomas Elhaut	Mid-term review			25 October 2013	
Project completion report reviewer	Mark Keating	IFAD loan disbursement at project completion (%)			99.9%	
Project completion report quality control panel	Fabrizio Felloni [Peer reviewer] Michael Carbon	Date of the project completion report			June 2017	

Source: IFAD. President's Report, April 2010; IFAD/GoV. 3EM Project Completion Report, June 2017.

## II. Project outline

### Introduction

1. Vietnam stretches for 1,650 km along the eastern seaboard of the Indochina Peninsula. Its total land area of 331,689 km<sup>2</sup> 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, with only 21 per cent of the land area being cultivated. The total population in 2016 was estimated at 94.5 million. Around 75 per cent of the population is rural, concentrated largely in the delta areas. The country's delta populations are largely ethnic Vietnamese (*Kinh*). There are 53 officially recognized ethnic minorities, which account for approximately 15 per cent of the total population. More than three-quarters of the ethnic population is concentrated in the 11 provinces of the Northern Mountainous Region (including Ha Giang) and the four provinces of the Central Highlands. Between 2002 and 2010, Viet Nam underwent a transition from a centrally-planned to a market-based economy. Following more than two decades of continuous rapid economic growth, in 2009 Viet Nam was reclassified by the World Bank as a lower-middle-income economy; nevertheless, vulnerability and poverty among ethnic minorities remains persistent.
2. Recognizing the need to narrow the growing gap between ethnic minority groups and the Kinh majority, in late 2008 the Government of Viet Nam (GoV) applied for IFAD assistance in the form of a project aimed at the economic empowerment of ethnic minorities in Dak Nong Province with the overarching goal of improving their livelihoods in a sustainable way.
3. **Project area.** The project was implemented in the then recently-created Dak Nong Province (established in 2004). The area was characterized by an extremely weak institutional base, plus several social issues - including a doubling of the population due to inward migration - and poor infrastructure, particularly at the village and commune levels. Furthermore, with the redefinition of the poverty line upwards in 2010 from 200 000 Vietnamese dong (VND)/month/capita to 350 000 VND /month/capita, poverty rates were expected to dramatically increase. Within the Dak Nong Province, 23 communes in the five districts of Krong No, Dak Song, Dak G'Long, Dak R'Lap and Tuy Duc were selected to form the project area.
4. **Project goal, objectives and components.** The project goal was to contribute to a sustainable improvement in the livelihoods of poor and ethnic minority households in Dak Nong Province. The central objective (purpose) of the project was to increase the incomes of poor and near poor ethnic minority households, with a particular focus on women, while the policy and institutional objectives were to strengthen provincial institutions to work with ethnic minority groups - particularly women - in a participatory manner and to integrate their priorities into the Government planning process.<sup>1</sup>
5. The project was to carry out extension of sustainable agriculture, support the Government in building its capacity to develop demand-led value chains in which farmers could improve their net returns by raising the quality of their products, and promote the empowerment of people to escape poverty through collective action, that is, by setting up joint liability groups and savings and credit associations. The project was divided into three main components, the first two including sub-components, as follows:
  - i. Ethnic Minority Livelihood Development component, which included three subcomponents, namely (a) Extension of Sustainable Agriculture; (b) Value Chain Development; and (c) Participatory Planning and Community Infrastructure;

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<sup>1</sup> IFAD. 3EM – President's Report, April 2010, and IFAD. 3EM – Project Design Report, May 2010.

- ii. Rural Financial Services component, structured in two sub-components, that is, (a) Agricultural and Value Chain Lending; and (b) Women Saving and Credit Groups; and
  - iii. Project Management component.
- 6. In practical terms, under **Component 1**, poor and near-poor ethnic minority households and other poor were to benefit from increased entitlements and skills derived from agricultural extension on sustainable and value-added agriculture, from access to remunerative market opportunities, and from the establishment of effective community infrastructure and its operation and maintenance. Under **Component 2**, poor and near poor households were to gain access to appropriate formal credit through Joint Liability Groups. Women were to save and borrow as members of Savings and Credit Groups and undertake income generating activities. Finally, under **Component 3**, project outputs and outcomes were to be delivered in an efficient and cost-effective manner, with a strong focus on gender and ethnic minorities.
- 7. **Intervention logic.** This project was designed to address the need to foster the key development potential of ethnic minorities in the Dak Nong Province. Rather than promoting subsistence farming, the project intended to improve the agronomic and market conditions for food and cash crops. The project was to identify opportunities in existing value chains to improve the net value in the hands of farmers through primary processing, storage, group marketing; furthermore, the project would support the development of alternative value chains for higher value products. And it would also provide access to credit so to enable women to choose activities that would increase the asset base of poor households and build resilience.
- 8. The 3EM project was designed to support access to formal credit for agricultural inputs or cash flow financing, address the issue of limited extension outreach, limited marketing awareness, lack of infrastructure and lack of labour opportunities. Overall, the project design and activities were commensurate to achieve the specified objectives. However, during project implementation, the project design showed some weaknesses, which are addressed under the Relevance section in paragraph 28.
- 9. **Target group.** The 3EM project targeted directly ethnic minorities, both indigenous and migrant in nature. The justification for this approach consisted in the high levels of poverty experienced by ethnic minorities, and the fact that they were overtaken by changes in their traditional farming systems, which switched from subsistence cultivation to intensive sedentary cash cropping. In addition, at design it was taken into account that there were poor and middle-to-low income Kinh (the largest ethnic group in Viet Nam) families who would be eligible as a target group, benefiting from project-supported agricultural extension and institutional credit activities. The focus of such activities for these near poor and better-off households was on the development of value chain activities and the formation of Common Interest Groups, which were to include poor producers. Moreover, women-headed poor ethnic minorities households which, according to surveys carried out by the Department of Labor, Invalids and Social Affairs, account for approximately 22 per cent of registered poor households, constituted a special target group in that they face strong constraints to overcome poverty, due to the lack of labour in the household and limited access to extension services.
- 10. Based on the above, the project adopted as its targeting strategy three main modes of targeting, namely: (i) geographical targeting based on the poverty lines and income levels;<sup>2</sup> (ii) self-targeting based on project activities that primarily

<sup>2</sup> As mentioned in paragraph 4, the criteria applied besides geographical targeting were income levels and poverty lines defined by national Household Income surveys; up to 2009 the poverty line was defined at 200,000 VND/month, which was then increased nationwide to 350,000 VND/month.

interest poor households;<sup>3</sup> and (iii) direct targeting based on identifying *a priori* target groups based on particular geographical areas or socio-economic criteria, that is, using inclusion and exclusion criteria so that the poor can be separated from the non-poor.

11. Overall, the total number of direct beneficiaries was estimated at around 138,510 persons, corresponding to approximately 31.370 households (HHs) calculating about 4.4 persons per household. In terms of indirect beneficiaries, there was no estimate provided at design.
12. **Financing.** At design, the total project cost was estimated at US\$23.8 million, of which US\$19.9 million (equivalent to SDR 8.25 million) were to be provided by IFAD in form of a loan (US\$19.4 million) plus a grant (US\$0.5 million), US\$2.3 million by the Government of Viet Nam, US\$0.9 million by the Viet Nam Bank for Agriculture and Rural Development (VBARD), and US\$0.7 million by beneficiaries. The Economic Internal Rate of Return (EIRR) was estimated over 65 per cent and the cost per beneficiary household at US\$774.
13. At project completion, the actual total project cost was US\$23.05 million, of which US\$19.42 million provided by IFAD, US\$2.28 million provided by the Government, US\$0.88 million by VBARD, and US\$0.46 million by the beneficiaries.
14. Below are project costs estimated at appraisal and in actual terms shown by financier and by component:

Table 1  
**Project costs by financier**

<i>Financier</i>	<i>Appraisal</i>	<i>cost %</i>	<i>Actual</i>	<i>cost %</i>
		<i>(in million US\$)</i>		<i>(in million US\$)</i>
IFAD	19.9	83.6%	19.42	84.2%
Government of Viet Nam	2.3	9.6%	2.28	10%
VBARD	0.9	3.8%	0.88	3.8%
Beneficiaries	0.7	2.8%	0.46	2%
Total	23.8	100%	23.04	100%

Source: IFAD. 3EM Appraisal Report, 2010. IFAD/GoV. 3EM Completion Report, 2017

Table 2  
**Component costs**

<i>Component</i>	<i>Appraisal</i>	<i>cost %</i>	<i>Actual</i>	<i>cost %</i>
		<i>(in million US\$)</i>		<i>(in million US\$)</i>
Ethnic Minority Livelihood Development	13.8	61%	12.5	56%
Rural Financial Services	6.33	28%	6.4	27%
Project Management	2.39	11%	4.2	17%
Total		22.52 <sup>4</sup>		22.3

Sources: IFAD. 3EM Project design report, 2010; IFAD/GoV. 3EM Completion Report, 2017.

15. **Project implementation arrangements.** The project was to be implemented within the Government of Viet Nam decentralized institutional framework. Key implementing partners comprised the following: Provincial, district and commune people's committees; the Department of Planning and Investment; the Department

<sup>3</sup> As reported on the 3EM Project design document, "Targeting EM households requires "Self-targeting, ensuring that goods and services on the project menu respond to priorities, financial and labour capacity and livelihood strategies of the EM targeted groups."" IFAD. 3EM – Project Design, May 2010.

<sup>4</sup> Total amount figure net of physical and price contingencies.

of Agriculture and Rural Development (DARD); the Viet Nam Bank for Agriculture and Rural Development; and the provincial Farmer's Union and Women's Union.

16. Concerning implementation responsibilities, the Department of Agriculture and Rural Development was responsible for the implementation of the agriculture extension programme and value chain development. On the other hand, the Department of Planning and Investment was entrusted with the implementation of participatory planning, while the commune people's committees would be the investment owner for community infrastructure. VBARD was to implement collateral-free short- and medium-term lending to Joint Liability Groups (JLGs). The Women's Union and the Farmers' Union would support the training of the JLGs in collaboration with VBARD. The Women's Union was to assist the formation and operations of women's savings and loan associations and manage a revolving fund.
17. The oversight responsibility was entrusted to a Project Steering Committee, chaired by the chairperson of the Province People's Committee. Members of the Project Steering Committee included the chairpersons of the five District People's Committees, representatives of the implementing agencies which held executive responsibilities (Department of Planning and Investment, DARD, VBARD, Women's Union and Farmer's Union) and the Provincial Committee for Ethnic Minorities. The PSC was to ensure that the project would be implemented in accordance to national policies and strategies.
18. The overall management and coordination of day-to-day operations of the project fell under the responsibility of a Project Management Unit (PMU).
19. Finally, the 3EM project was linked with complementary projects implemented by other donors which provided additional support. For a full description of these complementary projects and the nature of the support provided, please refer to Annex III.
20. **Significant changes/developments during implementation.** During project implementation, in line with the recommendations provided in the Mid-term Review (MTR) of 2013, the project carried out some adjustments to its original design, which relate to components 1 and 2 as described in the next paragraphs.
21. *Sustainable agricultural extension.* At design, the development and implementation of sustainable agricultural extension programs were assigned to DARD and to the Agricultural Extension Center. However, the approach adopted by these agencies did not meet in full beneficiaries demands. Therefore, based upon MTR recommendations, agricultural extension activities were decentralized to commune and district authorities for active implementation starting in 2014.
22. *Value chain development.* Producer Groups and Common Interest Groups were formed for pro-poor value chain development in line with the criteria specified at project design. However, in practical terms, a financial tool was missing to attract the participation of these important actors. As recommended at the time of the MTR, the PMU adjusted the project budget to test two competitive investment funds under a Public Private Partnership model to provide co-financing for pro-poor private companies' investments and the CIGs to promote market participation by the poor households.
23. *Agricultural and Value Chain Lending.* Under this subcomponent, poor and near poor ethnic households were to be provided with collateral-free loans from the VBARD through the JLGs. However, this approach performed slowly due to approval requirements and procedures set by the Ministry of Finance and VBARD. In line with the recommendations set in the MTR, the project carried out the following adjustments: (i) both the PPMU and VBARD agreed to allow members of JLGs to access this credit line starting in 2015 and (ii) the yearly interest was reduced from 6.95 per cent to 4.28 per cent, allowing VBARD to take higher risks in lending to poor households.

24. **Delivery of outputs.** At completion, the project benefited a total of 148,828 beneficiaries located in the 23 target project communes; of the total, 118,828 were direct beneficiary persons and 30,000 indirect beneficiaries, against an initial target at design of 138,510 direct and indirect beneficiaries. As mentioned, the project suffered from a number of challenges during the first phase of implementation. The corrective measures adopted in the second half of the project life based on MTR recommendations contributed in ameliorating the overall project status. At completion, implementation across the three project components yielded mixed results. Nearly all target outputs and outcomes for Component One (about 61 per cent of total costs at design, 56 per cent at completion) were achieved. Component Two, which accounted for 28 per cent of total costs at design against 27 per cent at completion underperformed notwithstanding the corrective measures undertaken following MTR. Component Three performed successfully.

### **III. Review of findings**

#### **A. Core criteria**

##### **Relevance**

25. **Relevance of objectives.** The objectives of the 3EM were in direct alignment with the Government of Viet Nam's agricultural and rural development and poverty reduction policies and strategies. At the time of the project design, the GoV focussed on improving quality of life for peoples living in poorest communes and promote economic structure in agriculture aimed at market-oriented production. The project was also consistent with the IFAD Policy on engagement with indigenous peoples of 2009, and with the objective set in the 2006-2012 IFAD Country Strategic Opportunities Programme (COSOP) for Viet Nam of eradicating poverty and food insecurity. Furthermore, it was aligned with the rural development strategy of the Government of Viet Nam, which set targets for improving the quality and competitiveness of local commodities, enhancing linkages between rural producers and markets, and promoting decentralization and participation in decision-making.
26. **Relevance of project design.** The project design was fully aligned with IFAD's 2006-2012 COSOP for Viet Nam, as well as with the pro-poor objectives as spelled out in the Government of Viet Nam's Program 134 which supported, among others, production land, residential land, housing and clean water for poor EM households. Furthermore, the Government at that time was lacking to some extent an understanding of approaches that would address EM poverty. Some of the key constraints were addressed by the 3EM through demand-driven agricultural extension service, value chain based Common Interest Groups, infrastructure and the establishment of a Women Economic Opportunity Fund (WEOF). Both project design and implementation arrangements were relevant in that they addressed the development of demand-led value chains in which farmers can improve their net returns by raising the quality of their products, contributing to poverty reduction.
27. At the same time, part of the design of component two - agricultural and value chain lending through the VBARD's credit line - was actually flawed. The Project Design document states, on page 18, that "Joint Liability Groups will be eligible for loans from VBARD without collateral"; it further states in the same paragraph that "Membership will include ethnic minority villagers who do not have credit access to formal sources due to lack of collateral". Unfortunately, the design did not take into proper consideration banking regulations, which allow banks to provide lending only to individual households with collateral. Furthermore, there was a lack of financial tools to leverage private investment from enterprises in agriculture and rural development in doing agribusiness with poor farmers.

28. In summary, this PCRV acknowledges that the objectives of the 3EM were in direct alignment with the Government's activities aimed at poverty alleviation, as well as in addressing environmental issues and food insecurity. And its design was fully aligned to the 2006 COSOP, as well as with the pro-poor Government's initiatives with respect to EMs. Yet, the PCRV also notes that component two suffered from a design which was lacking financial instruments to mobilize investments from the private sector and farmer's CIGs, and consequently affected the attainment of results under this component.
29. In light of the above, this PCRV rates relevance as *moderately satisfactory (4)*, one point lower than the PMD rating.

### **Effectiveness**

30. As identified in the official project documentation, the overall development goal of the project was "to contribute to a sustainable improvement in the livelihoods of poor and ethnic minority households in Dak Nong Province".<sup>5</sup> The key path towards achieving this goal was increasing the incomes of poor and near poor ethnic minority households, with a particular focus on women.<sup>6</sup> At the time of project completion in June 2017, the overall number of people benefitting from the project totalled 118,828 direct and 30,000 indirect individuals, above the original target at design of 138,510 comprising direct and indirect beneficiaries.
31. Prior to undertaking a discussion of the project's effectiveness, this PCRV wishes to mention that an assessment of effectiveness is usually carried out by objective rather than by component. In the case of 3M, project objectives were formulated at the level of "impacts" rather than immediate project objectives; therefore, the following paragraphs discuss the project's achievements in terms of the three underlying components which constituted the project.
32. **Component One – Ethnic minority livelihood development.** Overall, Component One performed well as far as the achievement of targets set at design was concerned. It consisted of three sub-components, namely: (i) Extension of Sustainable Agriculture; (ii) Value chain development; and (iii) Participatory planning and community Infrastructure.
33. With regard to Extension of Sustainable Agriculture, the project developed an agricultural extension program which provided training to extension staff at all levels for a total of 814 staff members. A demand-driven extension programme, consisting of 24 models and 128 subprojects of agricultural technical transfer focusing on ethnic minorities was administered to poor people and women in 5 project districts, covering 6,950 households who benefited directly from the models. A total of 26,347 people was trained on technical training in the extension program compared to the original target set at design of 22,000 people (120 per cent coverage). An analysis of the total number of attendees shows that 15,548 people were from ethnic minorities (59 per cent), 14,607 were classified as poor (55 per cent) and 12,395 were women (47 per cent). Training courses covered a variety of agricultural topics such as Integrated Pest Management for coffee, pepper, sweet potato and rice, rubber harvesting techniques, and agricultural fertilizer composting.
34. Concerning value chain development, two pre-feasibility studies were conducted on value chains of larger scale (including coffee, sweet potatoes, pepper, rubber). On that basis, seven value chains for coffee, sweet potatoes, pepper, livestock (cows), corn, vegetables and chicken with action plans were approved by the Provincial People's Committee. Related activities for this sub-component were carried out by the project; most notably: (i) 160 Common Interest Groups (CIGs) were established and consolidated which saw the participation of 3,298 households;

<sup>5</sup> IFAD. 3EM – President's Report, April 2010

<sup>6</sup> Ibid.

- (ii) 24 chain development models were completed; and (iii); annual training to all CIG members was provided on production technique, business planning and market linkage. The PCR states that, based on a survey conducted by the project, more than 1,900 households applied new and improved agricultural techniques (200 households in excess of the original target); all CIGs held at least one group meeting every 1-6 months (20 per cent in excess of the target foreseen at design); and 99 per cent of group members applied knowledge derived from the training courses (corresponding to an additional 24 per cent above the original target of 75 per cent).
35. CIG activities took off well. A total of 23 enterprises were identified to engage with the CIGs to purchase agricultural products for farmers (exceeding the original target of 7 enterprises), and four enterprises were selected to receive financial support in the overall amount of US\$76,000 from the project in order to upgrade their value chains and business linkages with the CIGs and develop cow, pig, chicken, coffee and tea value chains. An overall 42 CIGs with good production and business plans were approved to be financed at US\$5,000 each from the project to purchase essential agricultural inputs to undertake their business plans. Seven cooperatives were established from the CIGs and established strong value chain linkages in terms of production of livestock breeds, and delivering these to the slaughter house and/or directly to free market through local enterprises such as the Rural Food company. Other cooperatives not only produced breeds and other agricultural inputs for themselves, but were also active in branding development.
  36. A number of supporting activities for value chain development were carried out by the project such as trade fairs, commodity workshops and conferences. Thanks to these activities, products such as Japanese sweet potato, coffee, pepper, vegetables, and chicken are now better known to the potential consumers and business partners for their quality, production areas and brands.
  37. As for Participatory planning and community Infrastructure, market-oriented participatory social and economic plans (MOP-SEDP) are now integrated into the local socio-economic development plan. MOP-SEDP training courses were held for 2,340 commune staff, including 787 staff in non-project communes; the implementation of commune MOP-SEDP in the province was carried out from early 2016 onwards and included 23 project communes and 48 non-project communes, and saw the attendance of 40,609 people (60 per cent poor, 57 per cent ethnic minorities, and 50 per cent women). A household survey carried out by 3EM shows that 90 per cent of participants did appreciate the quality of the planning process in terms of capacity development, participation, and identification and selection of local needs. At the same time, some constraints included (i) the MOP-SEDP planning process being complex due to insufficient information and guidance by the province; and (ii) the institutionalization process of MOP-SEDP at the provincial level being delayed; as a consequence, public financial pledges necessary to facilitate commune MOP-SEDP planning did not materialize.
  38. With regard to the construction of community infrastructure, 147 civil infrastructures were constructed, including 89 rural roads (70.98 km), three bridges and culverts, 14 irrigation canals, ditches, and dams, three water supply systems, 37 drying grounds (13,695 m<sup>2</sup>) for agricultural products, and one solid waste treatment system. A total of 23,833 direct beneficiary households and 27,070 indirect beneficiary households benefited from the infrastructure schemes.
  39. **Component 2 - Rural financial services.** This component, divided into two sub components – namely Agriculture and Value chain lending, and Women Saving and Credit group - was to play an important role towards the achievement of the project overall goal and objectives. At project completion, it yielded mixed results as explained below.

40. With regard to the creation of Joint Liability Groups (JLGs), a total of 97 JLGs were formed (compared to the original target of 100 groups); group members were trained on loan borrowing procedures, production and business planning and loan using as per project design. However, given VBARD banking regulations, only individuals able to provide collaterals would qualify for loans; as a result, only 38 JLGs are currently operating. The MTR mission, recognizing this issue, recommended transferring the funds allocated for this subcomponent from VBARD to the Women Economic Opportunity Fund.
41. Moreover, with regard to those that were able to obtain loans from VBARD, only 410 out of 1,333 JLG members were able to obtain loans from the VBARD's local branch, although timely repayment rate was close to 100 per cent. In addition, none of the existing JLGs or their members could benefit from getting agricultural inputs from enterprises that borrowed from VBARD, due to complicated and no-incentive procedures that turned off several potential enterprises.
42. On the other hand, the creation of Women Saving and Credit Groups (SCGs) proved successful. Four training courses were organized for Women Unions on how to operate and manage the SCG scheme. A total of 210 SCGs were formed by the end of 2016 with a membership of 3,507 women (of which 52 per cent were ethnic minorities, 55 per cent were poor, and 33 qualified as near poor households); all SCG members were trained in loan process, business plan and loan use (507 members in excess of the original target).
43. The revolving fund operated by the Women Economic Opportunity Fund achieved notable results. A total of 5,617 loans were issued totalling VND 91,035 billion; it served outstanding loans worth of VND 36,176 billion to an overall 1,778 SCG members, with average outstanding loan size corresponding to VND 18.7 million (US\$843), which is relatively high among the social funds of the WU. SCG savings amounted to VND 31,587 billion (corresponding to 87 per cent of the project loan provision) all of which was lent back to members internally within each group. The average savings amount per member each month was approximately VND 200,000 (US\$9), which is one of the highest in Women Union-operated funds in Viet Nam, while the overdue amount in the loan portfolio was VND 978 million by the end of April 2016, or 3.16 per cent of the total outstanding balance. This is a relatively low figure, below the project target of 5 per cent, but slightly higher than in most Women Union-related social funds. It would be advisable for the Women Economic Opportunity Fund management to exercise greater care so to ensure the sustainability of its operations.
44. Based on the original SCG network, the PPC decided the creation of a Social Fund, namely the Women Economic Opportunity Fund, which became operational in mid-2014. The Fund is currently organized into three departments: Administration, Credit Management and Finance and Accounting. With support from a locally recruited consultant financed by 3EM, a Strategic Plan 2016–2025 was prepared for the WEOF. The Plan was based on three phases. During the first phase, running up to 2017, the Fund was to establish its operations and grow to serve some 5,300 clients with a portfolio of VND 50 billion. The next phase would be a consolidation period with no growth but increased efficiency and profitability, to be completed by 2019. This would be followed by a growth period up to 2025, by which time the Women Economic Opportunity Fund would serve some 9,000 clients with a portfolio of VND 100 billion. It is foreseen that in 2019 the Women Economic Opportunity Fund will submit an application to be registered as a Micro-Finance Institution and, if accepted, start to operate as a deposit-taking MFI starting in 2020. In order to achieve this target, further high-level training needs to be arranged for the Management Board and Supervision Board members, especially with regard to the banking/microfinance dimension of Women Economic Opportunity Fund operations.

45. **Component 3 - Project Management.** The Project Implementation Support Services component included the following sub-components: (a) Establishment of the PMU, procurement of office equipment and vehicles; (b) Monitoring and Evaluation System established, staff trained, RIMS, baseline surveys carried out; (c) Communication and Knowledge Management; (d) Gender integration into project activities; and (e) Integration of the project activities towards environment protection.
46. Overall, the implementation of Component Three was on schedule. Project Steering Committees (PSC) under the Provincial People's Committee, the Provincial Project Management Unit, District Support Units in five districts, and Commune Project Management Units in 23 communes were established from the outset to manage and implement the project. During the first couple of years of project implementation there was some staff turnover, which was brought to a halt once qualified managers were hired to overcome the situation. Concerning the M&E system, at first the project did not assess results from implementation activities properly. Based on the recommendations from the IFAD Supervision mission of 2013, all data related to project output, outcome and impact indicators were collected, disaggregated by gender, ethnicity, and poverty, and analysed to inform annual planning and budgeting.
47. Concerning communication and KM, project activities were communicated through different channels; these included the project website, newspapers, television and media collaborators. Documents, publications, and leaflets on project activities were distributed at various events organized either by the project and/or by provincial agencies. Important project activities and best practices were documented and broadcasted via television to the public. With regard to gender integration, a gender action plan was prepared to mainstream gender into all project activities from the outset. As a result, gender integration was implemented into all project activities, ensuring at least 40 per cent women's participation. The design and implementation of WEOF contributed to enhance the status of poor women and ethnic minorities in economic development as well as in social work. On a less positive note, some agricultural extension models were designed for women but were not successful due to lack of an output market that partly affected project outcomes.
48. With regard to environmental protection, the project took action to raise local people's awareness on climate change and environmental protection responsibility. Related activities included forest protection advocacy, climate change awareness, sustainable use of natural resources, and building infrastructure toward environment protection such as water saving schemes, garbage processing factory or biogas.
49. To summarize, at the time of project completion in June 2017, according to the M&E data provided in the Project Completion report, the project managed to benefit approximately 148,828 individuals – both direct and indirect beneficiaries – against the original target at design of approximately 120,000 (direct and indirect beneficiaries), which, translated in percentages, means that over 120 per cent of the original target was reached. Component One – accounting for approximately 61 per cent of component costs – performed well despite some initial problems. Component Two, accounting for almost 28 per cent of component costs required major reformulation after the MTR of 2013. As described above, some outputs were achieved but with low quality, and only during the last two and a half years of project implementation. Component Three – which accounted for about 11 per cent of component costs – performed in a satisfactory manner.
50. In light of the above considerations, given very good performance of Components One and Three (totalling 73 per cent of actual project costs), despite some

underperformance of Component Two, this PCR rates effectiveness as *satisfactory (5)*, in line with the rating provided by PMD.

### Efficiency

51. The efficiency of 3EM is measured against the benefits achieved as a result of implementation, as well as whether the project resources/inputs (funds, time, etc.) were used efficiently for the intended purposes.
52. Both the project loan and grant were approved in April 2010 and became effective on January 2011 after an effectiveness lag of nine (9) months, which is below the IFAD average, as it usually takes one year and a half for IFAD-funded projects to achieve effectiveness<sup>7</sup>.
53. In the first three years of implementation, between 2011 and 2013, the project had cumulatively disbursed only approximately 23 per cent of the total funds. The low disbursement rate was a reflection of slow physical implementation progress, In the second half of the project life, as of 30 June 2017, disbursement reached 99.6 per cent of the overall amount, with the IFAD loan of US\$18,915 million disbursed at 100 per cent. Table 4 below provides the figures for project disbursement at appraisal and by completion:

Table 4

#### Project disbursement up to 30 June 2017

<i>Financing sources</i>	<i>Appraisal (US\$ '000)</i>	<i>Disbursement (US\$ '000)</i>	<i>% Disbursement</i>
IFAD loan	18,915	18,911	100.0%
IFAD Grant	506	506	99.9%
Government	2,280	2,268	99.5%
Co-financing (VBARD)	900	858	95.4%
Beneficiaries	455	431	94.7%
Total	23,056	22,974	99.6%

54. As of 30 June 2017, all three components achieved proper disbursement. Component 1 disbursed US\$12,424,627, equivalent to 98.8 per cent of the initial allocated fund. This result was achieved following recommendation by the MTR mission, whereby Component One activities were transferred from DARD to the District Support Unit in five project districts; this move promoted a greater engagement in implementation and ownership by project districts and communes. Component Two disbursed US\$6,339,078 equivalent to 104.7 per cent, due to an additional amount of 5 billion VND adjusted from the project for the WEOF in order to increase its liquidity and social outreach. Component Three disbursed US\$4,210,102 and reached 95.1 per cent of the allocated amount.
55. At design, with an estimate of about 120,000 direct and indirect beneficiaries, the project was assessed as economically viable with an EIRR of 65 per cent. The EIRR calculated at completion is 59.06 per cent. According to the PCR, this figure is in line with the reality of implementing direct investment for groups and households quite late, mostly in the last 3 years of the project. Due to the late investment, actual costs increase and income generation results are significantly slowed, resulting in higher costs and lower income than the baseline estimate in the project design. However, the project still fulfils the internal rate target that corresponds to the actual implementation conditions. The project cost per direct beneficiary

<sup>7</sup> As extracted from the IFAD Grants and Investment Projects System (GRIPS) database.

household was also estimated at US\$774. No corresponding figure at completion is provided in the PCR.

56. Based on the above, this PCR rates efficiency as *satisfactory (5)*, one point higher than the rating provided by PMD.

### **Rural poverty impact**

57. **Household income and assets.** For this domain, the PCR makes an analysis of income and assets separately. With regard to the former, a review of project documentation shows that total cash income from crop production activities for project area households increased 56.9 per cent between 2011 and 2016<sup>8</sup>. Specific to beneficiary ethnic minorities, the income of EM increased 65.2 per cent, from VND 56 million in 2011 to VND 92.5 million in 2015, which is a higher figure than the income of Kinh households, which increased by 38.1 per cent, from VND 110.4 million in 2011 to VND 152.5 million. Some data is available also for non-project areas. For example, in non-project areas income increase was much lower, reaching only 23.6 per cent for EM households and almost unchanged (1.2 per cent) for Kinh households. It would therefore seem that income increase from crop production for the EM and Kinh, poor and near poor households in the project area between 2011 and 2015 has exceeded its original target at appraisal. The same is true for livestock products. Although project households did not reach a total income increase as high as the one for crop products, such increase has been calculated at 29.0 per cent, exceeding the original target set at appraisal by 9 per cent. EM households dwelling outside the project area experienced a very low income increase.
58. With regard to **household assets**, the PCR states that there has been an increase in assets. Regarding assets possession, beneficiary households in the project area seem to have somewhat improved their living standards. Specifically, the rate of households with television, fridges, telephones and bicycles and motorcycles increased by 10.2, 26.8, 6.5, 8.4 and 6.4 per cent respectively in 2016, as compared to 2011. These increases were significantly higher than those of non-project area dwellers<sup>9</sup>. At the same time, it should be noted that households in the project area do possess more televisions and refrigerators partly due to better access to electricity (increasing 7.5 per cent in project areas, as opposed to a figure of 1 per cent in non-project areas). With regard to infrastructure, the number of households with roofs made of temporary materials such as grass/leaves/reed/bamboo is currently negligible, falling from 3.6 per cent to 0.6 per cent, and the number of households with roofs made from metal has increased from 76 per cent to 79.8 per cent. With regard to cooking fuel, project beneficiary households moved from using mainly firewood and straw to gas (increasing from 23.3 per cent in 2011 to 47.3 per cent in 2016). In addition, households now own more animals such as cows, pigs, chicken and generate additional income. As a result, it would seem that households have improved their family assets with project support.
59. **Human and social capital and empowerment.** The project created opportunities for EM households and for other ethnic groups to participate in different community-based groups such as CIGs, JLGs and SCGs. Many are also members of existing social organizations such as the Farmer Associations (FAs) and Women Unions (WUs). RIMS results showed that 58 per cent of households joined CIGs, 32.4 per cent participated in SCGs and 17.9 per cent in JLGs, while 59 per cent are members of WU, and 53 per cent of FA. Overall, 97.3 per cent of households participating in these groups benefitted from project support, training and seminars, increased accessibility to agricultural extension services (66.3 per cent), production tools and inputs (59.4 per cent), production and business

<sup>8</sup> IFAD. 3EM RIMS data for the corresponding years.

<sup>9</sup> According to the results provided in the RIMS survey 2016.

planning (57.6 per cent). In particular, the poor and near poor households, EM households and women were given higher priority of support as compared with other group members on capital, seedlings, production materials, and production and business experience. Accordingly, these households changed their traditional farming practices and behaviours, diversified their cropping systems, and practiced joint purchase of inputs and selling their products with their team members to enhance their agricultural productivity and income.

60. With regard to empowerment, the project promoted social impacts on beneficiaries. As a result of the MOP-SEDP process, the poor and ethnic minority households benefitted from the opportunity to participate actively in community discussion and decision-making processes at village and commune levels in order to set investment priorities based on their needs and potentials. Participation helped enhancing community solidarity and improving local people's relations with local officials. In particular, the participation of the poor and EM households in the CIGs and SCGs created opportunities for households and women in discussing and decide on the use of resources in the most effective way. Buying and selling together in groups helped beneficiary households in selecting the proper business partners and service providers, carrying out price negotiations and contract signing for more profitable production and business.
61. **Food security.** According to the results of the 2016 RIMS, the percentage of households suffering from food shortages has decreased by 63.3 per cent (from 49.4 per cent in 2011 to 18.1 per cent in 2016), a figure that is considerably higher than the corresponding one in the non-project area, which experienced a decrease by 11 per cent only (from 10 per cent in 2011 to 8 per cent in 2016). In addition, the average time of food shortages of household decreased by 0.5 months (from 5.1 months to 4.6 months), although it should be noted that this decrease is in fact higher for households out of the project area (decrease 1.9 months). Furthermore, the percentage of households consuming foods such as corn, sweet potatoes and bulbs instead of rice has decreased approximately by 46 per cent (from 9.7 per cent in 2011 to 5.2 per cent in 2016). The percentage of households using foods with high nutritional value has increased (fresh milk increased by 26 per cent, fruits consumption by 21 per cent, and meat or fish by 9.5 per cent). According to the PCR, based on RIMS and other data from the project M&E database, the noted changes in the food security indicators in the project area are to be attributed to activities linked to the implementation of Component 1 and subcomponent 2.2 (the Women Saving and Credit Groups), such as technical training, new plants and animal transferring to diversify income sources, input support for production development, and better business linkage for output market.
62. **Institutions and policies.** Concerning this criterion, 3EM achieved a series of positive outcomes as well as some shortcoming. On the positive side, achievements include: (i) Approval of the manual on MOP-SEDP at communal level to be applied at the provincial level. At the time of project closing, it has been rolled out to all eight districts and towns including 23 project communes and 48 non-project communes; (ii) the PPC acknowledged the charter of WEOF in the form of social fund under the provincial WU. To date, this fund has been consolidated, with five transaction offices in five districts and 23 representatives of the Fund Management Board in 23 project communes, and 210 operating SCGs which support poor women in accessing capital without collateral; (iii) 160 value chain CIGs functioning with better business linkages with private enterprises; (iv) seven CIGs were successfully transformed into cooperatives to expand production and business; and (v) approval of the implementation plan for technical and financial assistance for piloting PPP in the agricultural sector under the 3EM Project in 2016.
63. On the less positive side, it should be noted that, although MOP-SEDP was officially introduced at the provincial level rather quickly, its implementation was rather slow. As a result, both the MOP-SEDP and the traditional plan co-exist at district

and commune level and “market orientation” has not been carried out in several communes. In addition, weak performance has been recorded in 20.6 per cent of the 160 CIGs, and approximately 40 per cent of these groups are not able to prepare suitable business plans. Moreover, there was a lack of active participation of concerned provincial agencies such as the Department of Industry and Trade (DOIT) and DARD and in the implementation of value chain activities. Finally, as previously described, lending to JLGs to develop agriculture and value chains through VBARD did not achieve expected results due to differences in lending conditions between VBARD and JLGs.

64. **Overall poverty impact.** The PCR reports that, although 3EM implementation came to a full swing in the second half of implementation only, the project has shown notable degrees of impact across the various domains. It would seem that increase in terms of household income and assets was achieved, an aspect corroborated also by the RIMS 2011 and 2016 surveys. There was also a notable impact on human and social capital and empowerment due to the project efforts in relation to capacity building and strengthening groups and newly formed cooperatives concerning food security, the PCR reports that there was a significant increase of HHs to be able to meet food security.
65. Based on the above, this PCR rates rural poverty impact as *satisfactory (5)*, in line with the rating provided by PMD.

### **Sustainability of benefits**

66. The 3EM project was designed and implemented in order to help the government achieve the poverty reduction and sustainable development targets for poor and ethnic minority groups in line with its long-term development policy. As such, the project outcomes and approaches are continuously integrated into its development policies such as the Socio-economic Development Strategy for the period 2011-2020 as well as the Sustainable Poverty Reduction Orientation for the same period.
67. At provincial level, project sustainability seems to be granted based on the high level of interests on the project’s approaches and obtained results by beneficiary communities, private actors, and government agencies at the various local levels. The PPC has expressed its commitment to continue its support for the WEOF to grow and be transformed into a MFI in the future. Similarly, with regard to the MOP-SEDP, this has been rolled out to all districts and towns in the province, and its operation manual has been finalized. The PPC has also committed to allocate and coordinate resources from different National Targeted Programs concerned with rural development and poverty reduction, and requested concerned agencies to provide follow-up support in sustaining all major interventions and results from the project, as reflected in the exit strategy issued on 24 May 2016 by the Dak Nong PPC.
68. Notably, since project startup, all project activities were undertaken through existing institutions/agencies at communal, district and provincial level. As a result, these agencies have developed their capacity to continue using resources from the ongoing government and other donor-funded programs. For example, as mentioned earlier, thanks to the political commitment from the Dak Nong PPC, the MOP-SEDP has been operationalized by DPI and its line agencies at district and communes levels. In addition, according to the approved exit strategy, DARD and its line agencies are assigned to take over activities relating to agricultural extension and value chain development. Notably, some of the project results such “coffee nurseries” are being used by the World Bank-funded Viet Nam Sustainable Agricultural Transformation Project. Similarly, the FA already followed up with the “farmers-to-farmers” training and provides institutional support to sustain 160 CIGs.
69. However, there still remain some issues impeding institutional sustainability, including: (i) 20.6 per cent out of the 160 CIGs did not perform well and about

40 per cent of the groups were not able to prepare suitable business plans, while the FA joined the project only in 2016, hence still lacking to some extent capacity and financial resources to perform its assigned roles; and (ii) value chain development and market linkage instruments were implemented without active involvement of DARD and DOIT, therefore, there is a capacity gap to sustain the approach following project closing.

70. Concerning environmental sustainability, the project has been contributing to improving the local environment thanks to a number of good practices promoted by the project such as: (i) making compost from coffee waste after pre-processing and collecting cow manures to fertilize coffee and other crops; (ii) using bio-buffers and building biogas tanks in animal husbandry for pigs, chicken and cows as important measure to reduce pollution and, at the same time, help saving energy; (iii) application of IPM and Viet Nam Good Agricultural Practices (VietGAP)<sup>10</sup> in crop cultivation to reduce chemical fertilizers and pesticide use; and (iv) intercropping of fruit trees (e.g. avocado, macadamia) in coffee plantation to help improve local micro-climate. As these good practices are being maintained well by the beneficiaries and enterprises, prospects for environmental sustainability are good.
71. In summary, based on the evidence provided in the PCR as well as derived from other official project documentation, sustainability may be considered rather high given the strong sense of ownership that provincial structures have taken with regard to project activities and the integration of CIGs with local enterprises. Minor capacity gaps remain, but may be addressed yielding a positive outcome. Overall, this PCR rates sustainability as *satisfactory* (5), in line with the rating provided by PMD.

## **B. Other performance criteria**

### **Innovation**

72. The PCR highlights a number of innovative approaches; among these, was the establishment of CIGs as a way to ensure cooperation among households. Another innovative feature consisted in the use of the MOP-SEDP. Although Market-oriented Participatory Socio-economic Development Planning processes are not entirely new in the Vietnamese context, in the case of 3EM it emphasized individual and community participation from the very outset of the project throughout implementation. SEDP encourages individuals and communities to actively participate when selecting investment priorities and emphasizes a strong connection between prioritized activities and budget to ensure plan feasibility.
73. Furthermore, the 3EM project also piloted the application of force account method with 37 small scale infrastructure works which are mainly public drying yards for agricultural products. Notably, the force account is normally a waiver to competitive bidding and it was an appropriate approach within this context, as it further empowered local communities, reducing associated cost, creating employment on site, improving quality of civil works and enhancing community ownership on operation and maintenance of the invested schemes. It also promoted the creation of business opportunities for local construction service groups through community bidding, construction, maintenance, and work liquidation.
74. Given the innovative design and features of some interventions and approaches, such as the CIGs and the force account method, this PCR agrees with the rating assigned by PMD on Innovation as *satisfactory* (5).

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<sup>10</sup> VietGAP consist of a set of production methods, established by the Vietnamese Ministry of Agriculture and Rural Development, to produce clean and safe products, especially fresh fruit and vegetables. The scheme is under the purview of GlobalGAP, an international business standard for good agricultural practices.

## Scaling up

75. The IFAD Evaluation Manual of 2015 defines scaling up as “The extent to which IFAD development interventions have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector and others agencies. In reviewing the scaling up criterion, the analysis considers core questions to be answered by evaluators in assessing scaling up; among these, are included – but not limited to – the following: (i) Were successfully promoted innovations documented and shared to facilitate scaling up? (ii) Has IFAD proactively engaged in partnership-building and policy dialogue to facilitate the uptake of successful innovations? (iii) Based on the information available, have these innovations been scaled up and, if so, by whom? If not, what are the prospects at the time of evaluation that they can and will be scaled up by the government, other donors and/or the private sector?
76. In reviewing the PCR, a positive answer can be granted to the first question (innovations documented and shared) as also acknowledged in the “Innovation” section (paragraphs 73-75 above); no evidence can be shown from the PCR with regard to question (ii), that is, IFAD’s proactive engagement, while concerning the first part of question (iii) the PCR clearly reports that innovations have not been scaled up. With regard to the second part of question (iii), the PCR mentions that these approaches may be eventually scaled up in the future by the Government, other donors and/or the private sector, provided that necessary steps are taken. This PCRV acknowledges that there is evidence that some of these steps are being undertaken; at the same time, it is unclear whether there is a firm commitment by concerned actors to carry out the scaling up process in the future.
77. Based on the above narrative, this PCRV rates scaling up as *moderately unsatisfactory* (3), two points lower than PMD. The disconnect between the two ratings for scaling up provided independently by PMD and IOE rests in the fact that PMD rates Innovation and Scaling up as a single criterion, while IOE rates it as two separate criteria. This PCRV agrees with the PMD rating of 5 for Innovation, but lowers the rating for the Scaling up dimension for the reasons illustrated above.

## Gender equality and women’s empowerment

78. Gender integration was prioritized during project implementation, thereby the participation of women in project activities was significantly increased. The percentage of women involving in project activities reached on average of 40 per cent upward, of which the highest percentage was with the Women Economic Opportunity Fund (100 per cent) and MOP-SEDP at village and commune (60 per cent), rural infrastructure (50 per cent), agricultural extension (47 per cent), VBARD’s credit line (40 per cent) and CIGs (36 per cent). Due to improved participation mechanisms by the project, women could raise their voice during decision-making process and had better access to services and support from the project for production and business development. Women involvement in leadership of authorized agencies and organizations in five districts and 23 project communes changed from 15.9 per cent in 2011 to 19 per cent in 2016 at the district level, and from 13.2 per cent (2011) to 18.2 per cent (2016) at the commune level. Based on the above figures, it would seem that, overall, the project made some positive, although not dramatic contribution towards improving gender equity and empowering women, especially poor women and ethnic minority groups.
79. This PCRV rates Gender equality and women’s empowerment as *moderately satisfactory* (4), one point lower than PMD.

## Environment and natural resources management

80. Overall, project activities made no negative impacts on environment and natural resources. In contrast, the project has contributed to environment improvement by supporting households in applying good practices such as composting from coffee

husks, raising chickens on bio-buffers, building biogas tanks when raising pigs and raising cows to prevent the discharge into the surrounding environment and at the same time making full use of cow manure for fertilizing plants. In addition, a number of production models toward reducing environmental pollution and protecting natural resources were developed for households such as: (i) application of "Integrated Pesticide Management – IPM" for crops such as coffee, pepper and sweet potatoes to reduce pesticide and fertilizer use, and protect the environment; (ii) intercropping fruit trees such as avocado and macadamia in coffee plantation in order to reduce soil erosion and keep soil moisture; (iii) planting coffee according to the 4C standard<sup>11</sup> through linking coffee groups and 4C enterprises to increase coffee value more sustainably. Due to the application of sustainable intensive farming methods to income-generating crops, the burning of forest for cultivation and cutting of firewood in the forest or cutting trees for building houses or for sale decreased significantly in the project area.

81. Based on the above, this PCRV rates Environment and NRM as *satisfactory (5)*, in line with the PMD rating.

### **Climate Change**

82. According to the 2016 RIMS survey, drought and frost are happening more frequently in the surveyed locations in and out of the project area. Percentage of households reporting high and average level of drought impact increased from 31.2 per cent and 22.7 per cent respectively, in 2011, to 47.2 per cent and 25.6 per cent, respectively in 2016. Similarly, the percentage of households affected by frost at high and moderate level is 53.8 per cent and 22.7 per cent, respectively. In order to minimize increasing drought, some adaptation models were introduced by the project: (i) application of water saving irrigation, drip irrigation in coffee and pepper gardens; (ii) planting more drought tolerant crops such as tea and macadamia; and (iii) growing grass for stockpiling in the dry season. However, these support activities are still in small scale while climate change phenomena are unpredictable. Therefore, greater efforts are needed from the PPC, authorized agencies, enterprises and beneficiaries in order to test and upscale climate change adaptation measures more effectively.
83. This PCRV rates adaptation to climate change as moderately *satisfactory (4)*, in line with the PMD rating.

### **C. Overall project achievement**

84. The 3EM project was relevant to the needs of the ethnic minorities and the poor in the province, as it facilitated access to input and output markets and successfully linked enterprises with CIGs through a value chain development approach. Despite an ambitious design, compared to institutional capacity in the province, the overall achievements are satisfactory. 3EM reached notable results in poverty reduction, and the number of beneficiaries reached exceeded the target figure at appraisal.
85. Among notable achievements, the local rural development practices showed important improvements in the areas of participatory and decentralized MOP-SEDP and subsequent infrastructure development and productivity and market access. In addition, the force account method and the creation of Saving and Credit Fund model designed especially for women were important achievement of the project.
86. Despite some weaknesses in project design, most notably regarding VBARD which affected implementation for the first half of the project period, project effectiveness, efficiency and the sustainability of benefits criteria, along with impact, are satisfactory, whereas project relevance falls more in the moderately satisfactory category. Ratings for other criterion range from being satisfactory,

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<sup>11</sup> The 4C standard is a common code of conduct for the coffee community, created by the German Technical Cooperation Agency (GTZ) and the Deutscher Kaffee-Verband (DKV - the umbrella organization for the German coffee industry), aimed at improving the economic, social and environmental conditions of coffee production.

such as those for innovation, environment and NRM, to moderately satisfactory such as gender and adaptation to climate change, down to moderately unsatisfactory as in the case of scaling up. Based on these considerations, this PCRV rates overall project achievement as *satisfactory (5)*, in line with the rating provided by PMD.

#### **D. Performance of partners**

87. **IFAD.** In the first 2-3 years of project implementation, the project faced several difficulties due to new project approaches, differences in financial and procurement procedures between IFAD and the Vietnamese Government, staff turn-over, and limited capacity of Government officers from implementing agencies. Through annual supervision and follow-up support missions, timely guidance and solutions were proposed by IFAD in order to overcome implementation bottlenecks. Some of the main recommendations to improve project performance included: (i) delegation of activities under subcomponent 1.1 and 1.2 from DARD to project districts and communes; (ii) formation of PPP support fund to enterprises and CIGs to strengthen the business linkages between lead enterprises and CIGs in prioritised value chains; (iii) institutionalization of WEOF; (iv) rolling out the MOP-SEDP to all districts and towns in Dak Nong and being institutionalized by the PPC; (v) improved M&E system towards results-based management; (vi) promotion of "enterprises-to-farmers" and "farmers-to-farmers" training; and (vii) knowledge management through "learning routes".
88. In addition, IFAD made efforts to support PPMU in revising the agreement between VBARD and the Ministry of Finance to transfer part of the budget from the subcomponent 2.1 to the WEOF. Furthermore, IFAD's support could have been more effective if: (i) the project design mission had been able to identify limitations related to VBARD lending, especially high credit interest of 6.75 per cent from MOF to VBARD and differences between VBARD's lending conditions and those expected by the JLGs, so that the chain actors, especially the JLGs, could access to the project fund for value chain development; (ii) recommendations on PPP's support fund to enterprises and CIGs had been made earlier; and (iii) institutional assistance to provincial agencies, such as DARD and FA, could be made much earlier so that these agencies could actively participate in implementing project and maintaining sustainable project outcomes.
89. Overall, based on some faults at design stage and the subsequent attempt to provide strong support to the project during implementation to correct identified issues – even if not always successful - this PCRV rates the performance of IFAD as *moderately satisfactory (4)*, in line with the PMD rating.
90. **Government.** The GoV central government agencies and the Dak Nong PPC provided effective contribution to the project design, ensured its compliance with the covenants of the Loan Agreement and proper follow-up on the recommendations formulated by the supervision and implementation support missions annually. Ministries and agencies also assisted in the withdrawal application process and an increase of advanced capital, from US\$2.5 million to US\$3 million, to meet project disbursement needs. MOF provided sufficient counterpart funds to ensure smooth project implementation. At the sub-national level, Dak Nong PPC provided timely guidance and approved a number of regulatory documents such as guidelines and manuals to facilitate the project implementation and testing of innovative approaches. As a result, the WEOF is performing well and MOP-SEDP is already rolled out to all districts and towns and to be institutionalized by the PPC soon.
91. In light of the above, this PCRV rates the performance of the Government as *satisfactory (5)*, in line with the PMD rating.

## IV. Assessment of PCR quality

### Scope

92. The PCR covers most of the key aspects of the project in line with the 2016 PCR Guidelines. However, some sections provide a very large amount of data which could have been analyzed more in depth. This PCR rates the PCR scope as *moderately satisfactory (4)*.

### Quality

93. The PCR on the whole provides a fair snapshot of the project's weak points and achievements. It contains all the mandatory sections, including annexes with quantitative data. The preparation process employed both qualitative and quantitative research methodologies, including collection and desk review of secondary information obtained from the project, discussion with PPMU, self-review exercises, and the organizing of stakeholders' workshops in the 5 project districts to collect preliminary feedback on project performance. The Draft Project Completion Report was presented and discussed at the Project Completion Workshop organized by the Dak Nong Provincial Steering Committee and IFAD, with wide participation of related stakeholders of commune, district and provincial levels, representatives from beneficiary groups and enterprises, to validate the findings from the project completion review. On a different note, the report would have benefitted from editing. Overall, this PCR assesses PCR quality as *moderately satisfactory (4)*.

### Lessons

94. The PCR presents several lessons learned and provides inputs for future interventions in the fisheries sector, in particular in terms of procurement, M&E, sustainability and design of future projects. The PCR rates the PCR lessons as *satisfactory (5)*.

### Candour

95. The PCR narrative is objective and provides a fair balance between achievements and shortcomings. This PCR rates candour as *satisfactory (5)*.

## V. Lessons learned

96. **Sustainable agricultural extension services.** A "learning by doing" approach for the ethnic households, empowerment and capacity development of Commune People's Committees to act as investment owner are critical to sustain agricultural services. Agricultural extension should be conducted combining in-class theories with on-field practice during crop season. In order to enhance accountability of both service providers and beneficiaries, results-based agricultural extension services should be adopted. And, the CPCs should be enabled to act as Investment Owner in managing agricultural extension services budget and be empowered to select the best service providers to meet with the beneficiaries' needs. DARD should develop appropriate guidelines and incentives to promote "farmer to farmer" and "enterprise to farmer" training for wider replication in the whole province.
97. **MOP-SEDP.** To ensure market orientation of the MOP-SEDP approach, it would require (i) a better integration of local resources for poverty reduction and general development targets; (ii) conducting necessary market and value chain analysis of main products and use findings from the analysis as inputs for communal planning; and (iii) ensure the participation of enterprises in the planning and implementation process.
98. **Provision of credit through VBARD.** A tailored lending mechanism with concrete terms and conditions for the project target groups should be developed and agreed by IFAD, central VBARD and MOF as early as possible. The lack of access to formal

credit for agricultural inputs or cash flow financing was well identified in the project design as key constraint towards the development of ethnic minorities' households. In the future, new projects should set up a guarantee mechanism to deal with risks for unsecured loans and mobilize VBARD's redundant funding to the project target groups.

99. **Saving and Credit funds for women.** This model proved to be an important and effective instrument for poverty reduction and women empowerment, not only in Dak Nong, but also in all IFAD-funded projects in Vietnam. In order to ensure success and reach out better to the poor and ethnic minority groups, it is necessary to: (i) identify good group leaders who are willing to learn financial knowledge and skills and support other households to participate in the WSCGs; (ii) introduce saving practices among the group members as a recurrent task through monthly meetings, in order to increase the group capital and sustainability; (iii) take advantage of the existing network of WUs at all levels as an important social asset to form and operate the SCGs at start-up; (and (iv) review the WEOF's performance on regular basis, identifying potential risks associated with lending large loans to farmers in order to act upon as necessary.
100. **Value chains.** In developing value chains, the identification of potential markets and lead enterprises for each value chain is important. In order to achieve this, market and value chain analysis must be prioritized in the early years of the project to allow for timely intervention. Such analysis must begin with demands and consumption market trend (downstream), and then supply chain. These analyses must clarify at least two issues: (i) which stage of the value chain has potential added value and what action is required to ensure such addition; (ii) identify at which stage of the value chain the target people can participate in and what would be their roles to play in the proposed interventions. In addition, in order to promote more inclusive and sustainable growth from value chain development, the project design should consider catering for feasible financial instruments to leverage investment from the private enterprises in establishing stronger business linkages with the CIGs.

## Definition and rating of the evaluation criteria used by IOE

Criteria	Definition *	Mandatory	To be rated
<b>Rural poverty impact</b>	Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions. <i>Four impact domains</i>	X	Yes
	<ul style="list-style-type: none"> <li>Household income and net assets: Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value. The analysis must include an assessment of trends in equality over time.</li> </ul>		No
	<ul style="list-style-type: none"> <li>Human and social capital and empowerment: Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grass-roots organizations and institutions, the poor's individual and collective capacity, and in particular, the extent to which specific groups such as youth are included or excluded from the development process.</li> </ul>		No
	<ul style="list-style-type: none"> <li>Food security and agricultural productivity: Changes in food security relate to availability, stability, affordability and access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields; nutrition relates to the nutritional value of food and child malnutrition.</li> </ul>		No
	<ul style="list-style-type: none"> <li>Institutions and policies: The criterion relating to institutions and policies is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.</li> </ul>		No
<b>Project performance</b>	Project performance is an average of the ratings for relevance, effectiveness, efficiency and sustainability of benefits.	X	Yes
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project design and coherence in achieving its objectives. An assessment should also be made of whether objectives and design address inequality, for example, by assessing the relevance of targeting strategies adopted.	X	Yes
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.	X	Yes
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.	X	Yes
Sustainability of benefits	The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.	X	Yes
<b>Other performance criteria</b>			
Gender equality and women's empowerment	The extent to which IFAD interventions have contributed to better gender equality and women's empowerment, for example, in terms of women's access to and ownership of assets, resources and services; participation in decision making; work load balance and impact on women's incomes, nutrition and livelihoods.	X	Yes
Innovation	The extent to which IFAD development interventions have introduced innovative approaches to rural poverty reduction.	X	Yes
Scaling up	The extent to which IFAD development interventions have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector and others agencies.	X	Yes
Environment and natural resources management	The extent to which IFAD development interventions contribute to resilient livelihoods and ecosystems. The focus is on the use and management of the natural environment, including natural resources defined as raw materials used for socio-economic and cultural purposes, and ecosystems and biodiversity - with the goods and services they provide.	X	Yes
Adaptation to climate change	The contribution of the project to reducing the negative impacts of climate change through dedicated adaptation or risk reduction measures.	X	Yes

<i>Criteria</i>	<i>Definition *</i>	<i>Mandatory</i>	<i>To be rated</i>
<b>Overall project achievement</b>	This provides an overarching assessment of the intervention, drawing upon the analysis and ratings for rural poverty impact, relevance, effectiveness, efficiency, sustainability of benefits, gender equality and women's empowerment, innovation, scaling up, as well as environment and natural resources management, and adaptation to climate change.	X	Yes
<b>Performance of partners</b>			
• IFAD	This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis with a view to the partner's expected role and responsibility in the project life cycle.	X	Yes
• Government		X	Yes

\* These definitions build on the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) Glossary of Key Terms in Evaluation and Results-Based Management; the Methodological Framework for Project Evaluation agreed with the Evaluation Committee in September 2003; the first edition of the Evaluation Manual discussed with the Evaluation Committee in December 2008; and further discussions with the Evaluation Committee in November 2010 on IOE's evaluation criteria and key questions.

## Rating comparison<sup>a</sup>

<i>Criteria</i>	<i>Programme Management Department (PMD) rating</i>	<i>IOE Project Completion Report Validation (PCR) rating</i>	<i>Net rating disconnect (PCR-PMD)</i>
<b>Rural poverty impact</b>	5	5	0
<b>Project performance</b>			
Relevance	5	4	-1
Effectiveness	5	5	0
Efficiency	4	5	+1
Sustainability of benefits	5	5	0
<b>Project performance<sup>b</sup></b>	4.75	4.75	0
<b>Other performance criteria</b>			
Gender equality and women's empowerment	5	4	-1
Innovation	5	5	0
Scaling up	5	3	-2
Environment and natural resources management	5	5	0
Adaptation to climate change	4	4	0
<b>Overall project achievement<sup>c</sup></b>	<b>5</b>	<b>5</b>	<b>0</b>
<b>Performance of partners<sup>d</sup></b>			
IFAD	4	4	0
Government	5	5	0
<b>Average net disconnect</b>			<b>-0.25</b>

<sup>a</sup> Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.p. = not provided; n.a. = not applicable.

<sup>b</sup> Arithmetic average of ratings for relevance, effectiveness, efficiency and sustainability of benefits.

<sup>c</sup> This is not an average of ratings of individual evaluation criteria but an overarching assessment of the project, drawing upon the rating for relevance, effectiveness, efficiency, sustainability of benefits, rural poverty impact, gender, innovation, scaling up, environment and natural resources management, and adaptation to climate change.

<sup>d</sup> The rating for partners' performance is not a component of the overall project achievement rating.

### Ratings of the project completion report quality

	<i>PMD rating</i>	<i>IOE PCR rating</i>	<i>Net disconnect</i>
Candour		5	
Lessons		5	
Quality (methods, data, participatory process)		4	
Scope		4	
Overall rating of the project completion report		4	

Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.p. = not provided; n.a. = not applicable.

## 3EM links with complementary projects

1. **Agricultural and Rural Development Sector Programme Support in Krong No and Dak Glong Districts (ASP - DANIDA).** The ASP includes support in four main areas: (i) demand-based extension, information and training of farmers, (ii) production, storing, processing and marketing, (iii) capacity building and local planning from Village to Province level and, and (iv) land allocation. Starting in 2010, the ASP funds will be integrated in the Provincial annual budget as sector budget support, and the expenditures will be registered normally within the accounts of the local Government units (Province and District). US\$1.5 million/year for the next three years would be committed to Dak Nong Province.
2. **Livelihoods Programme in Dak Glong District, (OXFAM).** The objectives include improving the lives of the Hmong and Mnong women and men through diversification of sustainable livelihoods options, increased market access, women's economic empowerment, and enhanced capacity to cope with disaster. OXFAM advocates meaningful participation of communities in local decision making by generating participatory practices in community works. The Oxfam project will collaborate with the IFAD project in support to communes and villages to draw up their priority lists from community infrastructure and in the follow-up and support in the implementation of community infrastructure works.
3. **The 135-2 Program for Communes Facing Extreme Hardship in Ethnic Minority and Mountainous Areas.** This program is coordinated by the State Committee for Ethnic Minority Affairs (CEMA) that coordinates the implementation. In Dak Nong it has a major office and a program in 11 of the 23 communes under the IFAD project focusing on infrastructure development and selectively on commune level management of investments. The WB supports the program in a programmatic series of three Development Policy Credits (DPCs) over the life of P135-2 (2006-2010). The District People Committee provides guidance and supervision for planning and implementation at commune level. The Commune People's Committee is the investment owner and makes decisions on implementation and supervision. At commune level there is a 'program management unit' established by District People's Committee. It is assumed that there may be a third phase or an equivalent to the 135-2 also after 2010.
4. The GTZ supported **Environmental Protection and Management of Natural Resources Project** that focuses on natural resources management in Dak Nong as well as value chain development. The project addresses the province-wide dissemination of methods of sustainable resource use and the improvement of resource allocation for poverty reduction. Its objective is "Participation of the rural poor, especially ethnic minorities, in the economic development of Dak Nong province is improved." The components of support of the German contribution are technical and methodological advice, training, procurement of replacement materials/equipment and a small amount of local subsidies for pilot measures and analysis and presentation of lessons learned. There are a number of lessons that 3EM could build on.

## **Bibliography**

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