

REFORM THE GOVERNANCE AND USE OF RECURRENT BUDGET TO SUPPORT AGRICULTURE PRODUCTION AND STARTUP

IN THE NATIONAL TARGET PROGRAMME ON SOCIO-ECONOMIC DEVELOPMENT FOR ETHNIC AND MOUNTAINOUS AREAS IN 2021 - 2030



Photo: © Do Truong Son/CARE

SUMMARY REPORT AND POLICY RECOMMENDATIONS

FINANCIAL AND TECHNICAL ASSISTANCE TEAM



OCTOBER 2020



Photo: © Do Truong Son/CARE



ACKNOWLEDGMENTS

On behalf of financial and technical assistance providing organizations, CARE International in Vietnam would like to convey our sincere thanks to the consulting team, including Associate Professor, Dr. Be Trung Anh, Hoang Xuan Thanh (MsC), Pham Thai Hung (MsC), Pham Hoang Ngan (MsC), Do Thanh Lam (MsC) and Tran Thi Tuyet (MsC) for their contributions to the survey as well as this report preparation.

Our thanks also go to the leaders of the Committee for Ethnic Minority Affairs, particularly Mr. Bui Van Lich, Policy Formulation Lead, Director General of the Department of Ethnic Policies and Mr. Ha Viet Quan, Director General of Department of International Cooperation for their valuable time and kind supports to our field survey. We would also like to thank Mr. Nguyen Quang Tien, Official, Department of International Cooperation for accompanying the consulting team during the survey.

We are grateful to the leaders and representatives of provincial departments and agencies in Lao Cai, Bac Kan and Ha Giang provinces; District People's Committee and district departments and People's Committees of communes in the districts of Cho Moi, Ba Be (Bac Kan), Bac Ha (Lao Cai), and Vi Xuyen (Ha Giang); businesses, cooperatives, startup model owners in these localities for their sharing during discussion sessions.

We are indebted to the Australian Department of Foreign Affairs and Trade (DFAT), through the Gender-Responsive Equitable Agriculture and Tourism (GREAT) project in Lao Cai and Son La provinces, and Irish Aid through the Partnership for Ethnic Minorities' Equitable and Inclusive Development (P4EM) project, for financial supports to the survey implementation and this report preparation.

The recommendations in this document reflect the views of the consulting team and do not necessarily reflect the views of the agencies and organizations involved in and supporting this process.

INTRODUCTION

Resolution 88/2019/QH14 dated November 18, 2019 approving the master plan for socio-economic development in ethnic and mountainous areas (SEDEMA) for the period of 2021-2030 and **Resolution 120/2020/QH14** dated June 19, 2020 ratifying the investment policy for the National Target Programme on socio-economic development for ethnic and mountainous areas (hereafter referred to as NTP-SEDEMA or Programme) in the period of 2021-2030 opened a new window to integrate policies and deliver targeted investments so as to support and foster a long leap in ethnic and mountainous socio-economic development.

NTP-SEDEMA's goal is to "gradually shorten the living standard and income gap between ethnic and mountainous areas and the national average rates; halve the number of villages and communes of extreme difficulties by 2025 and basically abandon extremely difficult villages and communes". To achieve this goal, improvement of ethnic and mountainous resident's income by promoting agricultural and forestry production and leveraging regional potentials and advantages for value chain commodity production is a key move.

This Summary report is developed to come up with innovative practices in the governance and use of recurrent budget which are earmarked for agriculture production (AP) and startup supports under NTP-SEDEMA to ensure that this programme will promote sustainable livelihood development and significant income improvement for ethnic and mountainous residents. The report consolidates the findings of a review over 60 policy documents related to the governance and use of recurrent budgets for AP and start up supports, assessment reports on the implementation of the National Target Programme for Sustainable Poverty Reduction (NTP-SPR) and the National Target Programme for New Rural Development (NTP-NRD) for the 2016-2020 period, lessons learned from ethnic and mountainous AP projects funded by development partners and activities under Sub-project 3.2, NTP-SEDEMA (as presented in the Report No. 186/BC-CP of the Government of Vietnam proposing NTP-SEDEMA investment policy to the National Assembly). Findings and recommendations are clarified and updated following the consultation with representatives of provincial departments, agencies, certain districts, communes, businesses, cooperatives, production groups and local people in the three provinces of Lao Cai, Ha Giang and Bac Kan in September 2020.



Photo: © Hoang Xuan Thanh

ACRONYMS

AP	Agriculture production
M&E	Monitoring and Evaluation
NRD	New Rural Development
NTP	National Target Program
OCOP	One Commune, One Product
SEDEMA	Socio-economic development for ethnic and mountainous areas
SPR	Sustainable Poverty Reduction
TA	Technical Assistance

KEY RECOMMENDATIONS

- 1. Medium-term recurrent budget planning:** The Central authority should inform the total fund allocated for the whole period with guidance on medium-term recurrent budget planning; provincial agencies are responsible for identifying priorities and decentralizing the preparation and adjustment of detail list to district level.
- 2. Sufficient counterpart funding from local budget for AP and startup projects:** Clear regulations and mechanisms should be formulated on the percentage of counterpart financing from local budget for both investment and recurrent expenditures; local-level counterpart funding should be allocated to value chain projects, startups or investments which diversify livelihoods for unappealing areas or areas that are not potential to participate in the invested value chains.
- 3. Focused supports for selected AP activities:** Fragmented allocation of fund to each commune or village of extreme difficulty should be put to an end; mechanism should be enforced for calling co-investment from enterprises, cooperatives, production groups, organizations, and households for key product value chains; projects should be selected on competitive basis with Programme's priority criteria and implemented by the Project Owners following the post-investment support mechanism.
- 4. Project-lifespan Technical Assistance:** Expense items should be defined; cost norms should be increased for the technical assistance throughout the life span of value chain development and startup projects; provincial agencies should be authorized to their highest mandates to regulate the expense items and expense rates of technical assistance activities in line with the specific conditions of their areas.
- 5. Inclusiveness and economic empowerment for women:** The number of non-poor households should be increased to account for 50% of the value chain project participants or 30% of the livelihood diversification project participants at maximum; they should also receive supports at lower level than poor or near-poor households. Reforms should be applied to the livelihood diversification projects and "revolving fund" should be promoted in farmer groups. Attention should be made to ensure the minimum percentage of AP and startup supporting funds are given to activities initiated or owned by women.
- 6. Startup incubation and acceleration:** Efforts should focus on the development of a startup advisory network since it is the spine of the startup ecology. Startup supports should be categorized into two main themes: incubation (idea identification, nurture and testing) and acceleration (linkage expansion and market development). Technical assistance packages should be provided to support the startups.
- 7. Removal of barriers to credit funds for value chain development and startup projects:** A new credit programme should be formulated to support the implementation of the NTP-SEDEMA by providing further concessional credits, with special attention to value chain projects and startups.
- 8. Formulation of effective Monitoring and Evaluation system that meets post-investment requirements:** Post-investment supports to value chain development projects and startups should be strengthened, the Monitoring and Evaluation system must be properly designed and operated to assess the project results and meet the output-based disbursement requirements of the post-investment mechanism.

1

MEDIUM-TERM RECURRENT BUDGET PLANNING, INCLUDING FUND FOR PROJECTS FOR 2-3-YEARS

1.1 Constraints/Difficulties

- Decision No. 41/2016/QD-TTg regulates that **medium-term planning must be conducted for NTPs**. However, **guidance on the medium-term planning for recurrent budget has not been developed**. The Government's effort has only been the issuance of detail guidance on the annual and medium-term budget planning in Circular No. 01/2017/TT-BKHD.
- In fact, provincial authorities only plan their annual recurrent budget and consequently, AP supports are confined to annual projects and models (though Circular No. 15/2017/BTC and Circular No. 18/2017/BNNPTNT allow project's implementation duration of up to 3 years). AP projects and models with duration of more than one year have not been considered.
- The annual development, appraisal, adjustment and approval of AP projects is time consuming. The approvals are often issued late in the second quarter or in the third quarter, which do not favor good timing of crop season, put the projects facing with raining and flooding period as well as high reimbursement pressure at the year-end since the fund cannot be carried over to the following year, and therefore hinder the fund efficiency.
- Central authorities should **inform the medium-term recurrent budget** for the whole period of 2021 - 2025 (for each project and sub-project of the Programme) to the provincial agency at the beginning of the period with **details on the planned annual budget allocation** to facilitate the planning activities at provincial level. At the same time, guidance on medium-term planning of recurrent budget should be formulated by the central authorities (particularly for AP and startup projects).
- **Provincial agencies should be authorized to approve lists** of prioritized key product value chains and startup models, assign district level to approve detail projects (except inter-district projects invested by provincial authorities) and adjust the list as necessary.
- Local authorities should plan the medium-term recurrent budget, develop list of AP projects and startup models of up to 2-3 years of implementation duration (with hesitance of formulating one-year projects/models), decide phased investments for approved projects/models based on the allocated fund, and review and select new projects/models.
- Approved and implementing recurrent budget for AP and startup projects should be allowed to carry forward to the following year provided that they could not finish in the committed financial year due to the late allocation/ disbursement of fund, season or market reasons or other objective reasons.
- **Mechanisms should be developed to encourage communes and villages to strive and escape from the list of extremely difficulty**: Communes and villages that have successfully removed themselves from the extremely difficulty list during the Programme implementation period should continue to receive AP and startup supports during the Programme period.

1.2. Recommendation

Justifications: Following stipulations of **Resolution No. 120/2020/QH14** with regulations on applying decentralization principle in NPT-SEDEMA; **Decision No. 41/2016/QD-TTg** on medium-term planning for NTP implementation; **Circular No. 15/2017/BTC and Circular No. 18/2017/BNNPTNT** on formulating AP projects of up to 3-year implementation period; **Decision No. 4781/QD-BNN-VPDP** on mechanism to develop medium-term project list of NTP-NRD in 2016 - 2020 and to address the shortcomings mentioned above, this report proposes the following recommendations:

2

ENSURING SUFFICIENT COUNTERPART FUNDING FROM LOCAL BUDGET FOR AP AND STARTUP PROJECTS

2.1 Constraints/Difficulties:

- **Decision No. 48/2016/QD-TTg and Decision No. 12/2017/QD-TTg** regulate the percentage of counterpart funding from local budget to the NTP-SPR and NTP-NRD in 2016 - 2020; however, they fail to regulate specifically investment and recurrent budgets. In reality, local authorities often allocate their counterpart fund for investments with very few or none to the recurrent budget that supports AP activities.
- 2016 - 2020 NTP-NRD stipulates that an equal portion of central budget will be retained to compensate the unallocated counterpart funding of the local budget in the previous year. 2016 - 2020 NTP-SPR does not impose any sanction for the case local authorities fail to allocate or allocate insufficient counterpart funding according to the prevailing regulations.

Decision No. 12/2017/QD-TTg on mechanism for allocating counterpart funding from local budget to 2016 - 2020 NTPs and to address the shortcomings mentioned above, this report proposes the following recommendations:

- Central authorities clearly define the minimum percentage of counterpart funding to be allocated from local budget for NTP-SEDEMA for **both investment and recurrent budgets** and impose sanctions to local authorities who do not comply such regulations by applying similar practice of NTP-NRD.
- Central authorities provide guidance on the **forms of counterpart funding allocated from local budget for recurrent line items to support AP and startup projects** in NTP-SEDEMA: (i) mainstreamed to the earmarked national budget; (ii) supports to areas of extreme difficulty who are not potential to participate in key product value chains of the Programme, and (iii) technical assistance (TA) activities for AP and startup projects that fall beyond the state's list of expense items or subject to low cost norms.

2.2 Recommendation

Justifications: Following **Resolution No. 120/2020/QH14** which specifies the counterpart funding from local budget to NTP-SEDEMA 2021 - 2025; **Decision No. 48/2016/QD-TTg** and



Photo: © Do Manh Cuong/CAN

3

FOCUSED AGRICULTURE PRODUCTION SUPPORTS THAT TARGET KEY PRODUCT VALUE CHAINS OF THE LOCAL AREAS

3.1 Constraints/Difficulties

- The “prior-allocation” of AP support fund that applies average allocation based on difficulty coefficient in Decision No. 48/2016/QD-TTg for communes and villages of extreme difficulty results in scattered and unfocused AP funds. In 2016 - 2020, each extremely difficult commune was allocated approximately 250 - 300 million VND/year. They can support about 20 - 30 households/year at the low rate of 10 - 15 million VND/household without any target criteria; this amount is far from meeting the sustainable poverty reduction objective.
- AP project investors and owners of 2016 - 2020 NTP-SPR are district/commune level People’s Committees as regulated in Circular No. 18/2017/TT-BNNPTNT. Since local authorities undertake both roles, the Programme has developed neither mechanism to mobilize market elements in AP supports nor mechanism to promote the value chain linkages.
- 2016 - 2020 NTP-NRD separates the Project Investor and the Project Owner of value chain projects in Decision No. 4781/QD-BNN-VPDP. Decree No. 98/2018/ND-CP promotes the role of organizations that link agricultural production and consumption. However, the mechanism to select focal point for project implementation and linkage development remains cumbersome. District/commune People’s Committees continue to manage the fund and procurements and do not assign such responsibilities to the linkage focal points.

3.2 Recommendation

Justifications: Following Resolution No. 120/2020/QH14 which stipulates the focused investment principle; Decision No. 12/2017/QD-TTg on mechanism to allocate recurrent budget of 2016 - 2020 NTP-NRD; Decree No. 98/2018/ND-CP on mechanism to define the roles of project owner and project implementing agency, and to address the shortcomings mentioned above, this report proposes the following recommendations:

- **A comprehensive approach should be applied in the deployment of AP activities** for significant improvement of AP supports in ethnic and mountainous areas. Each year, NTP-SEDEMA should conduct various calls for investments and encourage enterprises, cooperatives, production groups, production and trading households (hereinafter referred to as the Project Owner) to submit their value chain development and startup proposals in replacement of the current scattered fund allocation to each commune and village. More details are provided below.
- Coverage: The efforts should be adapted to the two directions, particularly: (1) focused on the current potential and key value chains of the provinces; and (2) providing livelihood diversification packages to the most challenging areas which cannot connect with crucial product value chains as per recommendation 5. The following issues should be considered in sub-project 3.2 when investing in the current key product value chains:
 - **Husbandry should not be the appointed models. Market oriented agriculture production or value chain based production approach should be applied for sub-project 3.2.** Products should be selected by the market and proposed by project owners (particularly by leading enterprises).
 - **The number of medicinal plant projects should not be regulated.** The Programme should only identify priorities and investment amount of the projects. Enterprises should develop their project proposals based on the Programme’s priorities and regulations for competitive selection. The number of valuable medicinal plant projects should not be confined to 10 or to any specific figure.
 - **Supports should also be given to crop value chains.** The ignorance of cultivation sector violates market operation principle since this sector receives huge market demand. It also does not match with the cultivation development potential in ethnic and



Photo: © Do Truong Son/CARE

mountainous areas which is reflected by the fact that more than 70% of the key products listed in agricultural restructure projects of ethnic and mountainous provinces are cultivation products.

- Co-investment mechanism: The Project Owner should include in their proposals the **co-investment at 49:51 ratio** where the Project Owner contributes at least 51% and the Programme finances at maximum 49% of the project budget. This practice complies with the resource diversification principle indicated in **Resolution No. 120/2020/QH14** and the principle that the **Programme shall only provide “gearing source”** to the project implementation. In special case where Project Owner is a non-profit organization, it is acceptable to suggest that the Programme contributes more than 49% of the project budget with proper justifications.
- Project selection: The projects should be selected by the Investment Council on **competitive basis**. The Investment Council is established by the Provincial People’s Committee and comprised of representatives from agricultural management authorities and **independent members**. Votes of the Council’s members are of the same value. The Council’s decisions are independent and objective.
- Role of Project Owner: **The roles of Project Owner and Project Investor must be clearly separated.**
 - “Project Investor” refers to the local authority who disseminates information, advises, provides guidance, appraisal and approvals, makes advance payment and final payment as well as supervises and evaluates the project implementation. The Project Investor also tries to support the Project Owner by **integrating resources of other programs and policies** for the efficient use of Programme’s resources.
- “Project Owner” is enterprise, cooperative, production group, non-profit organization or production and trading household who develops and proposes project, provides their counterpart funding and implements the project/model. Project Owners are entitled to actively issue tenders and select providers according to the project cost estimates approved by the Investor.
- Fund priority: The Programme’s investment in projects must ensure the **minimum percentage (of about 50%)** of fund are earmarked for **ingredient development by groups of households** (for example, for establishing production groups, providing technical trainings to meet the standards and procedures set forth by the Project Owner, partially covering the costs related to production, post-harvest technologies, etc.)
- Forms of collaboration contracts: The Project Owner can **sign collaboration contracts** with households and groups of households in different forms in compliance with regulations of Decree No. 98/2018/ND-CP. Local authorities are referred to as the third party in these contracts to ensure the proper implementation of contract clauses by the Project Owner and related households.
- Output-based disbursement: The Project Investor **directly signs contracts or places orders to the Project Owners** for the implementation of the approved projects, periodically supervises and **disburses the fund on output basis**. The output-based disbursement ensures the engagement of competent Project Owners who are capable of making prior investments and receiving post-investment supports based on their performance.

4

MECHANISM TO MOBILIZE PROJECT-LIFESPAN TECHNICAL ASSISTANCE FOR AP AND STARTUP PROJECTS

4.1 Constraints/Difficulties

- Circular 15/2017/TT-BTC **specifies expense items** of the recurrent budget in 2016 - 2020 NTP-SPR. TA expenditures of AP projects are confined to expenses of trainings, study tours and project management (not accounting for more than 5% of the project budget). For the 2016 - 2020 NTP-NRD, Circular No. 30/VBHN-BTC authorizes provincial People's Committees to decide the expense items and rates that are not specified in regulations issued by the central authorities.
 - It should be agreed that documents issued by the central authorities can hardly cover all "eligible" and required expense items. However, the current recurrent budget governance mechanism still follows the principle that **"only expense items that have been regulated by the central authorities can be made"** and does not accept to grant local authorities the right to decide expense items that are not forbidden in documents issued at central level.
 - Since AP projects are implemented on yearly basis with low budget, Project Investors often **ignore to fund TA activities, or only cover the cost of a short training course** of less than one day. This kind of TA cannot meet the requirements of value chain and start up projects for which TA must be provide throughout the project cycle of 2-3 years.
- and startup projects. Experience from various international cooperation projects show that TA activities might account for 20% to 35% of the project budget.

4.2 Recommendation

Justifications: Following Circular No. 30/VBHN-BTC on mechanism to provide TA to value chain projects in NTP-NRD, Circular No. 15/2017/BTC and Circular No. 18/2017/BNNPTNT allowing the expansion of AP project duration to up to 3 years, and to address the shortcomings mentioned above, this report proposes the following recommendations:

- **Expanding expense items and increasing expense levels for TA activities:** It is necessary to expand the expense items and increase expense levels for TA activities in value chain
- **Authorizing local authorities to regulate "other expense norms" for TA:** Provincial People's Committee should be authorized to issue "other" expense items and expense norms for TA activities, similarly to regulations of Circular No. 30/VBHN-BTC on NTP-NRD. In particular:
 - Central authorities should **assign provincial agencies to issue "other" expense items and expense norms** related to AP projects and startups that have not been regulated by the central authorities, in consideration of the local conditions and special projects/models in their provinces.
 - Provincial agencies might **authorize their district level to decide certain expense items and norms** for AP and startup supporting projects based on specific conditions of their provinces.
 - In the most ideal scenario, an **"Exclusion List"** should be introduced by the central authorities. This means that non-forbidden supporting activities and expense items are allowed.
- **Establishing a mechanism to mobilize TA for value chain projects:** Project Owners should be able to provide TA to the development of key product value chain or place order/sign contract with a third party for partial/full implementation of such activities.
- **Improving TA delivering capacities for related stakeholders:** (i) As for public service providers in the province: The Programme should improve the TA delivering capacities related to value chain development, consultation, advisory service and startup trainings. (ii) As for local authorities: The Programme's capacity building activities should be delivered in its first 1-3 years of implementation.

5

INCLUSIVENESS AND ECONOMIC EMPOWERMENT FOR WOMEN

5.1 Constraints/Difficulties

- If the Programme confines its focused investments in key product value chains, extremely difficult communes and villages who are **not potential to participate in the key product or medicinal plant value chains will be left out**. These communes and villages often have difficult geographical conditions, limited production land, limited transportation access and in the list of the most disadvantaged areas.
- Circular No. 15/2017/TT-BTC regulates that the number of non-poor households in AP projects of extremely difficult communes and villages must not account for more than 30% of the participants and they should manage their expenses without any supports from the Programme. Due to such lack of encouragement, non-poor households - who often are the leading and influencing households with good production experience rarely participate in project implementation in the past.
- Circular No. 30/VBHN-BTC does not regulate the percentage of poor and near-poor households in AP projects and give priority to pioneer and good production households in NTP-NRD. Some projects with international counterparts regulate that non-poor households must not account for more than 50% of the participants of the funded value chains. This regulation promotes the cooperation between poor and non-poor households in the value chain development. However, this good practice has not been considered and included in AP supporting policies of 2016 - 2020 NTP-SPR.
- NTP-SEDEMA includes Project No. 8 on promoting gender equality and addressing urgent issues of women and children. This project does not overlap or duplicate the activities of other projects and sub-projects in this Programme, therefore **gender issues must be mainstreamed in other projects and sub-projects of the Programme** so as to contribute to the achievement of gender equality in ethnic and mountainous areas as indicated in Resolution No. 88/2020/QH14.

5.2 Recommendation

Justifications: Following **Resolution No. 88/2019/QH14** and **Resolution No. 120/2020/QH14** on gender equality objective and beneficiaries of NTP-SEDEMA, **Circular No. 15/2017/BTC** and **Circular No. 30/VBHN-BTC** on the participation of poor, near-poor and non-poor households, and to address the shortcomings mentioned above, this report proposes the following recommendations:

- **Supplementing livelihood diversification packages to the Programme** to support extremely difficult communes and villages that are left out in the key product value chain development and applying thorough and comprehensive reforms in project implementation. **Top-down supports by granting** seedlings, materials, production machines and facilities in “scattered, fragmented and averaging manner” should be **terminated with strong determination**. Instead, an innovative approach should be introduced to further decentralize the work to groups and communities, support the participation of non-poor households in the model (they can account for about 30% of the model participants at maximum), strengthen the fund recovery and revolving by establishing the “revolving funds” in the production groups and local communities.
- **Encouraging the participation of non-poor households in value chain projects:** It should be regulated that the number of non-poor household can account for up to 50% of the participants of value chain and startup project. Non-poor households will receive less “hard” supports (ie. seedlings and materials) than poor households; however, they should be equally treated in terms of TA supports.
- **Economic empowerment for women:** It should be regulated that at least 30% of the recurrent budget for AP and startup projects shall be allocated for projects/models led by women or women groups or enterprises, production groups, cooperatives and households legally managed by women

6

STRENGTHENED PRACTICAL STARTUP SUPPORTS

6.1 Constraints/Difficulties

- Startups are mainly promoted by socio-political organizations such as the Youth Unions and Vietnam Women’s Union; however, such efforts remain in the form of propaganda without enabling policies and startup ecology.
- A number of staff from local organizations and authorities support startups. Though a regular working team has not been in place, this sets the basis for the development of an emerging startup ecology. They are enthusiastic, but **lack of experience, tools and network** to ensure efficient startup support.
- Startup centres have been formulated under the management of provincial People’s Committees or Departments of Planning and Investment in certain provinces. They are at their first steps and “exploring ways” to settle proper approach for efficient supports. **Budget, human resources and network limits** are main obstacles to the successful delivery of startup supports of these centers.
- One commune, one product (OCOP) - a startup related programme is widely implemented across Vietnam. However, it mainly focuses on improving the available products of production groups, cooperatives or local enterprises. Its impacts on **idea identification and incubation are limited**.
- Mechanism to mobilize startup advisory service has not been established or made available in the form of engaging experts in startup trainings or introduction sessions. Our experience shows that TA for startup projects requires advisory and mentoring service in 2 - 3 years.
- **Difficulties in accessing credits for startups are considered remarkable constraints.** Concessional credit programmes introduced by the Bank for Social Policies with low interest rate and unsecured loans are only for poor and near-poor households with small amount. No startup credit products have been launched by commercial banks. Supporting funds are available in certain social organizations at very small scale.

6.2 Recommendation

Justifications: Following the draft sub-project 3.2 of NTP-SEDEMA which suggests startup supporting items, **Decision No. 939/QD-TTg; Decision No. 569/QD-UBND** on implementing startup supporting policies and decisions in ethnic and mountainous areas; and to address the shortcomings mentioned above, this report proposes the following recommendations:

- **Efforts should focus on the development of a startup advisory network since it is the**



Photo: © Giang Pham/CARE

spine of the startup ecology in ethnic and mountainous areas. This network should include representatives from government authorities of different levels, organizations, startup incubation centers, universities, startup supporting organizations and professional experts.

- **Development of regional startup incubation and supporting centers:** It is planned that 9 regional startup incubation and supporting centers will be established in NTP-SEDEMA. These centers should be developed to act as the “initial machines” for the training and development of advisory network at local level and “key agency” in promoting experience sharing and policy advocacy.
- **Obstacles to access credits for startups** can be removed by various solutions (refer to recommendation No. 7 for more details).
- **Separate budget line for TA supports**

throughout the startup project cycle should be allocated: A separate budget line for TA support throughout the startup project cycle should be set during the project development (see Recommendation No. 4).

- **A mechanism should be formulated for startup incubation and acceleration:** Contests should be held each year to identify and select innovative ideas for incubation. The acceleration mechanism will enable the potentials to improve and expand production areas of production groups, cooperatives and households who register their operations in the ethnic and mountainous areas and have provided good products to the market. Accelerated projects will be selected on competitive basis and invested following the mechanism prescribed in Recommendation No. 3.

7

STRENGTHENED CREDIT MOBILIZATION FOR AGRICULTURE PRODUCTION AND STARTUP SUPPORTS

7.1 Constraints/Difficulties

- Enterprises, cooperatives, production groups and households have great demands for credits for AP value chain and startup development. Commercial banks in ethnic and mountainous areas **have not been active** in providing credit products while the Bank for Social Policy **has not introduced any project-/ value chain-/ startup loans**.
- **In practice, it is very difficult to access** concessional credits for agricultural and rural developments indicated in Decree No. 55/2015 and Decree No. 116/2018 or concessional credits reserved for enterprises investing in agricultural and rural development following mechanism and policies of Decree No. 57/2018, particularly for enterprises investing in the ethnic and mountainous areas.

7.2 Recommendation

Justifications: Following **Resolution No. 120/2020/QH14** on increasing credit fund for NTP-SEDEMA, **Resolution No. 12/NQ-CP** assigning the Bank of

Vietnam to formulate the Government’s Decree to “issue policy on concessional credits for the implementation of NTP-SEDEMA”; and to address the shortcomings mentioned above, this report proposes the following recommendations:

- The Committee for Ethnic Minority Affairs should request the Government of Vietnam to direct the Bank for Social Affairs to **develop a new Concessional Credit Programme** that provides state budget under the form of concessional credits and runs in parallel with NTP-SEDEMA so as to support value chain and startup projects with unsecured loans or loans guaranteed by business plans.
- Removing the obstacles in accessing loans for startups: It is recommended to develop a mechanism to **guarantee the startup business loans** in ethnic and mountainous areas. Additional funds should be provided to the Fund for Youth’s Startups, Fund for Women’s Startups, Fund for Cooperative Development where **unsecured loans are made available**.

8

PROMOTING POST-INVESTMENT SUPPORTS BASED ON A GOOD MONITORING AND EVALUATION SYSTEM

8.1 Constraints/Difficulties

- The current input-based “prior-investment” supports to AP projects in extremely difficult communes and villages **do not promote the pro-activity of the value chain stakeholders**. “Prior-investment” supports result in complicated and time-consuming procurement procedures. It often takes at least three months to complete the whole bidding process to purchase seedlings, production machinery or equipment, etc.
- “Post-investment” supports have been applied in buffalo and cow raising models funded by AP supports for extremely difficult communes and villages in a number of provinces. According to beneficiaries and the commune People’s Committees of these projects, this approach favors **simpler portfolios, and promotes the pro-activity and ownership of the beneficiaries**. Post-investment supporting mechanism has been regulated in a number of policies that encourage investments in agricultural and rural development (i.e. Decree No, 57/2018/ND-CP); however, the procedure to access to post-investment supports still complicated.
- The M&E of NTPs and many other socio-economic programmes and policies have not been given due attention. It is mainly applied to monitor the outputs. M&E activities of the NTP-SEDEMA must be designed and implemented in comprehensive and timely manner to facilitate the application of post-investment support approach.

8.2 Recommendation

Justifications: Following Resolution No. 120/2020/QH14 on strengthening the inspection, monitoring and evaluation of NTP-SEDEMA; Decree No. 163/2016/ND-CP on state governance of budget on performance basis, and to address the shortcomings mentioned above, this report proposes the following recommendations:

- “Post-investment support” mechanism should be applied, criteria and procedures should be set for inspecting and appraising the project progress and outputs, and procedure for final payment of post-investment supports should be formulated. The provincial authorities should be authorized to decide which project or model is eligible for post-investment supports.
- Post-investment support must be made based on the monitoring of value chain, startup performance indicators; **mechanisms should be developed for the testing for work acceptance, milestone installments and final payment**.
- Project Investor should consult with representatives of beneficiary residents, production groups and communities when inspecting the outputs of AP value chain and startup projects; the supervision role over value chain and startup projects of related stakeholders should be strengthened.
- Pilot activities should be conducted and efforts should be made to upscale the sharing of project M&E information on mobile appliances (as part of the “Solution 4.0” on project management of the Programme).

FINANCIAL AND TECHNICAL ASSISTANCE TEAM



CARE INTERNATIONAL IN VIETNAM
9th floor, CDC Building
25 Le Dai Hanh, Hanoi
www.care.org.vn
info@care.org.vn

For more information of the report, please contact Ms. Nguyen Thi Thanh Nhan - Advocacy Advisor - CARE International in Vietnam at email: nguyenthithanh.nhan@care.org.vn