

Implementing Agency:

24 September 2003

Programme Management Unit:

PROGRAMME COMPLETION REPORT

VIETNAM – FINLAND FORESTRY SECTOR COOPERATION PROGRAMME

PHASE I 1996 – 1999

PHASE II 1999 – 2003

Head of Implementing Agency

Signed and stamped

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ANNEXES

Completion Report, Phase I 1996 – 1999

Completion Report, Phase II 1999 – 2003

Acronyms

Comprehensive Poverty Reduction and Growth Strategy	CPRGS
Department of Agriculture and Rural Development	DARD
District Agriculture and Rural Development Organisation	DARDO
Dong, Vietnam dong	VND
Government of Finland	GoF
Government of Vietnam	GoV
Household Development Plan	HHD
Human Resources Development	HRD
Integrated Production Management	IPM
Land use planning and land allocation	LUPLA
Logical Framework	LF
Logical Framework Analysis	LFA
Mid-term Review	MTR
Ministry for Foreign Affairs, Finland	MFA
Ministry of Agriculture and Rural Development	MARD
Monitoring and Evaluation	M&E
Monitoring and Evaluation development	M&E
Official Development Aid	ODA
Project Document	PD
Project Management Unit	PMU
Sector Wide Approach	SWAP
State Forest Enterprise	SFE
Sustainable Forest Management	SFM
Vietnam – Finland Forestry Sector Development Cooperation Programme	The Programme or VNFINFO
Village Development Plan	VDP
Women's Union	WU

I. Basic Programme information

PROJECT FACT SHEET

Project Title	Vietnam-Finland Forestry Sector Co-operation Programme Phase II (1999-2003)	
Project Number	76902603	
Sector	Environment and Natural Resources	
Sub-Sector	Forestry	
Focus	Forest Conservation and Management	
Geographical Coverage and Project Site	Bac Kan Province (7 communes in Cho Don District and 2 communes in Ba Be District), north central Vietnam; and national level work at MARD, Hanoi	
Duration	4 years (Oct 1999 – Sep 2003)	
Starting Date	1 Oct, 1999	
Programme Financing		
Exchange rates:	EUR	Vietnamese Dong
1 USD = 6.5 FIM = 15025 VND		(VND)
Phase II Project – Total	3.127.443(18.6 FIM million)	37.7 billion
Ministry for Foreign Affairs, Finland	2.556.456 (15.5 FIM million)	31.4 billion
Partner Country: Vietnam	521.240 (3.1 FIM million)	6.3 billion
Beneficiaries	Primary beneficiaries are approximately 20,000 women, men, and children residing in 76 rural communities in 9 communes located in Cho Don and Ba Be Districts of Bac Kan Province. These remote mountainous communes are among the nation's poorest, and have ethnically diverse populations. Secondary beneficiaries include the forestry and agricultural extension staff working in the Province, and with the Ministry for Agriculture and Rural Development, and other Programme collaborators.	
Overall Programme Objective	To contribute to sustainable rural development in the mountainous regions of Vietnam, through the integration of forestry activities in the rural land-use and economy. Within 15 years, and through interventions in the forestry and agricultural sectors, reach a state of sustainable forest management, environmental protection, and sufficient income generation among poor and hungry households in Bac Kan Province.	
Purpose (Phase II)	To continue to support, develop and expand management solutions for sustainable use of forest resources and forestland in order to improve living standards and to protect the environment. By the end of the Phase II, poor and hungry households of Programme communes have access to financing, training, forestland, markets and sustained extension support, and are able to generate income with available production factors.	
Institutional Framework	Department of Agriculture and Rural Development (DARD) for Bac Kan Province, working with the ARD of Cho Don District and the ARD of Ba Be District, working in collaboration with other local institutions, communities, and local residents.	
Competent Authorities	Government of Vietnam: Ministry for Planning and Investment, Hanoi Ministry for Agriculture and Rural Development, Hanoi People's Committee of Bac Kan Province, Bac Kan Government of Finland: Ministry for Foreign Affairs, Helsinki, Finland	
Support Services Consultant	Indufor – Metsähallitus Group, in partnership with Jaakko Pöyry Development, Scanagri Finland Oy and Viet Thong Co. Ltd.	

PROJECT FACT SHEET

Project Title Vietnam-Finland Forestry Sector Co-operation Programme Phase I(1996-1999)

Programme area Bac Kan province

Duration 3 years

Starting date March 1996
Country agreement was signed on 20 May 1996

Financing

• Finland, FIM	10 365 575
• Vietnam, FIM	1 380 000
• Total, FIM	11 745 575

Competent authorities

- **Vietnam** People's Committee of Bac Kan province, Ministry of Agriculture and Rural Development
- **Finland** Ministry for Foreign Affairs of Finland

Institutional framework

- **Implementing agency** Department of Agriculture and Rural Development in Bac Kan province, Ministry of Agriculture and Rural Development
- **Supporting consultant** Indufor Ltd (in partner ship with Enso Forest Development Ltd and FTP International Ltd).

Programme components

- Community development
- Capacity building
- Dissemination
- Monitoring & evaluation

1. Summary Of The Programme Completion Report and of the Lessons Learned

Objectives

The development objective of the Programme has been the same from the beginning: *to contribute to sustainable rural development in the mountainous regions of Vietnam, through the integration of forestry activities in the rural land-use and economy.* This was amended later to read:

- To contribute to sustainable rural development in the mountainous regions of Vietnam, through the integration of forestry activities in the rural land-use and economy. Within 15 years, and through interventions in the forestry and agricultural sectors, reach a state of sustainable forest management, environmental protection, and sufficient income generation among poor and hungry households in Bac Kan Province.

Phase I design lacked the Programme Purpose. Instead, component level objectives had been specified, which are comparable to the Programme Results. The Programme Purpose (Phase II) in the Programme Document (PD) was specified as:

- To continue to support, develop and expand management solutions for sustainable use of forest resources and forestland in order to improve living standards and to protect the environment.

The Programme revised and amended the Programme Purpose to more specifically state the intended situation after the Programme

- By the end of the Phase II, poor and hungry households of Programme communes have access to financing, training, forestland, markets and sustained extension support, and are able to generate income with available production factors.

Means

The original budget for the Phase I was FIM 10 365 575 from the Finnish Government contribution and VND 3 364 366 000 from the Vietnamese Government contribution. By the end of the Phase I 91% (1,58 million EUR) of the Finnish contribution was disbursed and respectively 89% (2.990 million VND) of the Vietnamese Government contribution.

The Vietnamese contribution for the Programme in Phase II was budgeted as 521,240 EUR (3.1 FIM million), or 6.3 billion VND. The actual expenditure for the Phase II was 2.434 billion VND. The implementing agency estimates that the final cost will be 2.9 billion VND. The original Finnish contribution budget in the PD for Phase II was 15,428,880 FIM, equivalent to 2,594,951 EUR. The Programme Agreement states that the Finnish Contribution is 15,500,000 FIM, equivalent to 2,606,913 EUR, and the final frame in the Consultancy Contract 15,200,000 FIM, or 2,556,456. The budget comparison in this Report is based on the latter amount. The final expenditure includes the cost for the 1st External Financial Audit 26,835.97 EUR, and MTR costs 123,678.19 FIM/ 20,801 EUR. The actual utilisation of the Finnish contribution in Phase II was 2,513 million EUR, equivalent to 14,943 million FIM.

Main activities

The main activities during the Programme were: Land use planning and Land Allocation; Extension including development of an Extension System, PRAs in all Programme villages, household and village development planning (HHD, VDP), Forest Management Planning, farmer training, establishment of demonstrations (models), and support to Poor & Hungry Households; Capacity Building including staff training, gender training, construction and procurement of equipment, and organisation Development; Credit Scheme including Grant Financing for forestry activities; Marketing and processing including small business activities, Market information development; and Policy development.

Results

The achievement of the results must be studied bearing in mind that Phase I was designed to be a Pilot Phase, and Phase II the Expansion Phase. The general assessment is that the results were achieved to a satisfactory extent. Carrying forward the good systems and findings from Phase I and further developing those systems, which Phase I did not complete satisfactorily, the Programme has managed to deliver a specific set of models, tools, methods, and systems for the Province to continue applying.

During Phase I, financed from the local contribution, land allocation was carried out to Green Book level in nearly all the future Programme communes. In Phase II, the Programme added a component to support land allocation to the Red Book level. Land use planning was incorporated to the approach. The results have been achieved to 90 %. The Guidelines were officially approved in May 2003.

The functioning extension organisation or as it was called in Phase I, the mechanism to assist farmers, was achieved only to 60 %. The extension organisation was not completed. The revised extension system proposed by the Programme was not adopted due to financial constraints.

The capacity building results were achieved to 80 %. DARD and district organisations, SFEs and DARDs, and communes have adequate physical facilities including buildings, transport, computers, and tools. Staff capabilities have been improved but due the fact that most of the staff has been contracted staff the results may not benefit the organisations in the long-term. The policy concerning restructuring undermines the achievement of the result. There is clearly a missing link between the Provincial plans and the objectives of the capacity building. The consultants providing the support services failed to understand the situations and should have proposed a Human Resource Development plan with clear links to the Provincial planning.

The results for creating a sustainable financing source - a Credit Scheme, especially for the poorest strata of farmers, was achieved to 99 %. The full credit scheme is operational and meets the farmers demands, 98 % loans are used for correct (eligible) purposes. Bad loan rate was close to 0% at the end of the Programme. Fund capital has not been reduced, and the Credit Scheme is economically and financially sustainable.

Marketing and Processing results were achieved to 50 %. The systems are established but information is not regularly available for farmers and buyers. Processing models were developed and their feasibility calculated and established. Due to lack of permanently employed local staff the results could no be achieved fully. It was not possible to fully transfer the systems to permanent local staff. Provincial Extension Center through its new section for Information will continue the work.

The level of achieving the policy development results can be assessed in two different ways. If the results are assessed against the specified target in the PDs, it can be said that the results were achieved to 100 %: Contributions were made to provincial policy work, and national policies (FSSP). Phase I produced a number of valuable documents, and Phase II continued this taking some of the documents to policy level. If the results are considered against the indicators developed in Phase II, the achievements are less encouraging.

Relevance

The Programme has clearly been relevant to the Province and is compatible with the GoV policies. Land and forestland are allocated to households for long-term management and production. Therefore, farmers can sustainably carry out their production activities on their own land, pay attention to effective and stable land utilization as well as soil fertilization.

The GoV promotes the following policies, which were the core elements included in the Programme:

- Supplying improved and new varieties of seedlings to poor households for cultivation, and contributing to the structural change in cultivation and animal husbandry thus contributing to the hunger elimination and poverty reduction.
- Training forestry and agriculture extension officers, conducting PRA surveys, spreading agriculture and forestry extension activities to people at village level, and giving guidance in cooperation.
- Through the credit component, poor households have been given loans for production with payment period based on the production cycle of each specific crop, with low but sustainable interest rate. Poor farmers have been able to access the financial resources, borrow money, and effectively use the loans for the aim of hunger elimination and poverty reduction.
- Guiding farmers work in interest groups for agriculture and forestry production. This is the core of community encouragement, the mutual affection, the cooperation among farmers in production activities, which is highly compatible to the co-operative development policy of Vietnam.

Effectiveness

The poor and hungry households have benefited from the Programme. The results achieved by the end of the VNFINFOR, indicate that the Programme purpose is achieved to 80%. The farmers have now the Red Book status, user rights for 50 years of the forest land, all the poor and hungry households have access to financing, and farmers are able to generate better income with ownership of forest land, financing, and the new technologies provided. During the Programme, anyone who wanted to have training had the access. After the Programme, the Province will continue providing training to farmers within the financial resources available making use of the acquired staff capabilities.

The Programme did not fully achieve the improved marketing and processing objectives. Therefore, the province needs to further develop processing industry and marketing in forestry, and agricultural processing. Since the Province still lacks processing industry for primary products from farmers, the province needs to further encourage and provide support to small-scale processing. For agricultural products, the farmers have better access to markets through training of interest groups.

Efficiency

The result for solving land allocation and land use problems was achieved almost fully. The total cost, which includes testing the method on 5500 ha, and 3500 involved households is fully justified. This is a far better result than some other projects, which developed only guidelines but not the actual land allocation and land use planning.

The result for Extension component was not achieved. However, if the total cost is cleaned from direct inputs to farmer training, materials to farmers, seed/seedlings i.e. extension packages, the cost of achieving the result is still justified. The inputs to developing the extension system were efficiently used. Unfortunately, the system developed is currently beyond the financial capacity of the Province.

The result for Capacity Building was not achieved. The cost of buildings and equipment is fully justified. There is no evidence that the HRD part will have any permanent impact. The staff training will benefit the persons who received training and the institutions, but not as much as expected.

As for the Credit Component, the result was achieved almost fully. The total cost which excludes the equity (fund capital) is justified. The cost is on the higher side due to local TA spent on salvaging Phase I loans. The inputs in Phase I did not result in a feasible scheme.

The result for Marketing Component was not achieved. There is no evidence that the 4 market studies and resulting reports will benefit the institutions. The investment in processing models is fully justified.

For Policy Component, the result was achieved almost fully. The total cost is justified.

All inputs in to Monitoring and Evaluation development were misguided. If the M&E is considered as a separate result, the investment was not justified. In reality, a separate M&E system was not even needed.

Compatibility and Sustainability

The implementation of the Vietnam - Finland Forestry Sector Cooperation Programme has helped completing and strengthening the forms of productive organizations such as co-operatives for production and study as well as organizing and managing methods for the effective implementation of a project.

Organization and management of the Programme was taken to four levels:

- Provincial Project Management Board
- District Project Management Board
- Commune Project Management Board, and
- Village extensionists

This enabled the Programme to systematically co-coordinate agricultural extension with the province, districts, communes and villages, which are relevant and sustainable organizations that provide farmers with guidance for their production activities. The co-operation between Provincial and District Women

Unions in extending knowledge of science and technology, production management and credit scheme will be maintained in a sustainable way after the completion of the Programme.

The development of local resources has been done not only in the Programme area but also for district administrations, agriculture sector, and in a larger scale. As for human resources, officers, who have either directly or indirectly been involved in the implementation of the Programme, have had their knowledge of organizing, planning and implementation of a project, management skills improved. English and communication skill levels were improved.

Resources and facilities have been developed by providing vehicles, computers, and other equipment. Extension houses have been constructed and fully equipped. These facilities will benefit the organisation in the long-term. As for financing, the activities of grant financing, the demonstrations, and especially the Credit Fund of nearly 6 billion VND have been important resources to directly help poor farmers in sustainable production development.

Political and legal environment against receiving and utilizing ODA funds has been conducive. The aims of hunger elimination and poverty reduction, sustainable environment protection, grassroots democracy development and gender equity promotion have been effectively realized by administrations at all levels and people in isolated and poor areas through the effective cooperation with local projects. This has contributed to the implementation process of the Vietnam-Finland Forestry Sector Cooperation Programme.

The Programme has received great support and concern from the Communist Party and local authorities. Officials of the province and different sectors, officials of the two districts and communes have also shown their high concern as well as their participation in the Programme, creating good conditions for the Programme in all aspects. The issue of Poverty reduction was clearly specified in the Programme schedule through the operation of the Programme components. In reality, the Implementation of the Programme has remarkably contributed to the reduction of poverty rate in the Programme area.

Hunger elimination and poverty reduction: Vietnam - Finland Forestry Sector Cooperation Programme was aimed at hunger elimination and poverty reduction in the Programme areas. The Programme has selected two poor areas of the two districts of Cho Don and Ba Be, which are the communes with high poverty rate in the two districts of Bac Kan province.

Environmental Protection: The Programme area is one of the upstream watershed areas of large rivers in Bac Kan flowing to nearby provinces like Thai Nguyen, Tuyen Quang where the people used to clear land for years for cultivation because of poverty, reducing the coverage of the forest, causing soil erosion. During its implementation process, the Programme has helped to increase the coverage of forests through the activities of land and forestland allocation to farmers. People with land allocated, therefore, have become concerned about the protection of existing forest resources, carrying out the afforestation on sloping land in accordance with technical procedures. With the knowledge learned from training courses, people have now become aware of the importance of land, soil, and ecological environment preservation. The Programme has contributed to the settlement of local environmental problems by its activities of land and forestland allocation to the people as well as improving the awareness of local residents on environment protection.

The Programme has contributed largely to the settlement of universal environmental problems. Generally, the Programme has covered all aspects of environmental issues such as soil, water, and forest resource protection. The method of IPM for food safety and guidance of using clean/hygiene meat and vegetable must be emphasized.

Democracy issues: The role and capacity of the community have been clearly improved through the Programme. People have participated in the planning, experience exchange, and cooperation in production activities. Through the Programme, the implementation of the tasks assigned has been democratically discussed by organizations, especially Women Unions at all levels. Administrative capacity has been improved. Competence of the resident block has been increased through the Programme.

Gender equity: Gender courses have been opened for farmers, through which, the improvement of gender awareness has been extended to the province, districts, villages, and all farmers. The Programme has contributed to gender equity in all aspects; the women's role in the Programme area has been concerned and improved.

Phasing-out plan has enabled the local people and officers to soundly understand about the Programme, the purposes of the Programme, which is to contribute to hunger elimination, poverty reduction and sustainable environment protection. The Programme, therefore, will be of long-term impact in the province.

The distribution of the assets procured and properties shall be made in time and based on long-term effective use.

Financial monitoring and inspection will probably be carried out in or after the completion of the Programme (if necessary), especially against the counterpart funds.

Lessons Learned

- The arrangements for the Programme implementation are generally appropriate.
- The capacity of Programme implementation is rather high.
- Technical and financial conditions for the Programme implementation have been assured at the lowest level for the Programme to be operated.
- Tendering procedures are appropriate and convenient.
- Technological and technical aspects have been relevant with the conditions of the Programme area, the education level of the people and the capacity of the Programme.
- The Programme management at all levels from the province to districts, communes, and villages, have been closely organized with appropriate work contents and regulations.
- Agreed documents between Vietnam and donor side have been conformed during the Programme implementation, discussions on matters of mutual concern have usually been organized, and all problems have been settled under mutual assistance and cooperation.
- After 7 years of the Programme operation, we have learned some lessons from the Programme, from the preparation, tendering, coordination between both parties, and aspects of human resource management, training, and development.
- The following specific issues should be considered in project planning and be included with clear guidelines for the implementing agency already in the PD. Many problems in the implementation of VNFIFOR have arisen from these issues because they were not clearly agreed upon prior to the implementation. These points should be incorporated in

the PD and the Project Agreement.

- Accounting and cost control system: The basis for the project accounting and cost control system is the project budget included in the PD. It is advisable that it is drawn and prepared so that the budget takes into consideration both the Vietnamese and the Finnish financial reporting needs. In VNFINFO Programme, some problems have arisen from the fact that the Programme (supporting consultant) has developed its accounting and cost control system in both Phases based solely on the reporting needs by the MFA.
- It is very difficult for the Vietnamese side – the project implementing agency – to operate and implement anything unless an explicit decision/degree/circular is issued to regulate the task concerned. Therefore, the accounting and cost control system should be based on one of these or alternatively on the Project Agreement between the countries. The regulatory basis must be specified – including and appropriate code of the regulation – in one of the documents concerning a project.
- The harmonisation of ODA procedures is very much welcomed. At the moment, the Vietnamese accounting and cost control system cannot produce accurate and detailed enough monitoring data to meet the requirements of MFA. Attempts were made to "harmonise" the systems in VNFINFO Programme but there was no agreement on which of the many Vietnamese regulations should be applied. Hierarchy of the regulations relevant to the implementation of projects, and activities of the projects shall be clarified.
- A project to the Vietnamese side is a legal entity, which is formally established. The way to deal with this is that in the PD, the Project Management Unit is specified, and its function and responsibilities (TOR) are specified. Further the PD and/or Project Agreement should clearly specify when, and by whom it should be established. In VNFINFO this has not been done, which has led to problems with e.g. VAT refunds. The VNFINFO simply lacks this full legal basis.
- The Vietnamese entities have a seal. Without a seal, no official document can be issued. In VNFINFO, the seal was applied and given in the name of "Steering Committee". This caused problems in the establishment of the Programme Management Board. This could not be established officially because there cannot be two seals for one project.

2. Programme Background

In 1995 when the Vietnam – Finland Forestry Sector Cooperation Programme (VNFIFOR) was designed and agreed, the current area of Bac Kan was a district belonging to Bach Thai Province. The Province was divided in 1997 into Thai Nguen and Bac Kan Provinces. Since the operations of the Programme were designed to be implemented in Cho Don district, the new Bac Kan Province inherited the whole Programme.

Following the establishment of Bac Kan Province, the economic potentials of Bac Kan were studied, including surveys of land, forests, agricultural potential, industrial potential, and human resources. The studies resulted into a document titled “Planning for agriculture and forestry and rural development in Bac Kan province towards 2010”. As the title implies, the main economic sector in the Province is agriculture and forestry. The document can be considered as a Master Plan. Although the VNFIFOR Programme has contributed to the goals set in the master plan, it would have been better if the master plan had been ready and available at the time when the 2nd Phase of the VNFIFOR was prepared.

As stated in the Master Plan, agriculture, forestry and rural development should be aiming at and reach better achievements as for yields and production of plant / tree crops and animal products, in product quality, ecological, economic and social efficiencies for a rapid increase in the living standards of minority groups.

Further, the development should be planned to create harmonized combination of agriculture with forestry, land farming with animal husbandry to ensure provincial food security, agriculture and forestry production including processing. The agro-forestry economy with rural infrastructure building is seen as a vehicle to industrialization, modernization, increasingly higher economic development and better living conditions of rural people.

Provisions were made in the Master Plan to ensure that the management is able to concentrate resources on the development of key economic areas where potential for accelerated development exist and where main marketable commodities and products can be extracted and/or manufactured. This would lead to eradication of famine and easing poverty.

Agriculture, forestry and rural development is to be promoted mainly through the on-spot resources of local people with the leadership of central government agencies by a set of guidelines, policies, development orientation related to science and technology application and use of financial resources.

Since 1996, the Government of Vietnam has embarked upon several major national Programmes based on national strategies, to alleviate poverty, to improve democracy, and to increase the forest area and bring all forests under better management.

The Gross Domestic Production was in 1996 280,349 million VND out of which 204,078 million VND from agriculture and forestry. In 2002, the corresponding figures were ??????. The collected revenues were 11,400 million VND in 1998, and ??? in 2002. At the same time the expenditure figures were

205,000 in 1998 and ??? in 2002. Therefore, it can be said that the Province is still very much dependant on state financing which includes ODA. The growth has been a bit sluggish. The main constraints are human resources, and clearly the remoteness, which is attributed to infrastructure. The Province is still the poorest province in Vietnam.

The growth rate has been high but since the base level was low, the growth volume has not fully met the requirements. This is due to the Province being a new province, and further due to the still low level of financing and human resources, and awareness. Infrastructure has been poor. Apart from the remoteness, this is attributed to sectoral planning. Forestry by definition should be an *economic* activity and be able to pay for the needed services such as management planning, monitoring, and marketing of forest produce. The same applies naturally for agricultural sector. The agricultural products are traded locally, mostly. The Market Information Center has made efforts to attract bigger buyers from urban centres. It is likely that agricultural product will find market outlets but the farmers still need support.

As for forest produce – raw material or timber in other words – the situation is different. The farmers are currently selling fuel wood and logs at roadside to traders. There is little market for forest produce in the province. Forests produce a multitude of products and services. In Sustainable Forest Management planning products and markets are considered. The planners and the forest owners should have a clear understanding of which products are expected from the forest area and when. If this is not clear, the forestry may run a risk of becoming financially and economically unfeasible. Provincial policy can guide decision making in forest management planning.

The difficulty in Bac Kan Province is that the forest industry is small and out-dated. Most of the private forest processing enterprises in the province are very small. There are approximately 100 small-scale forest processing enterprises in Bac Kan. The average wood consumption by these enterprises is 15 m³ per annum. Since the enterprises are small, they have not been able to invest in quality technology. Secondly, the primary market for wood in other provinces is far away. In other words, from the farmers point of view there is little market for wood now in the Province.

On the other hand, the size of the market in Vietnam is by no means a limiting factor in marketing of forest products. The total demand for wood products is not likely to decrease in the future, on the contrary. The limiting factor in Bac Kan now may be the raw material. Yet, in 5 to 8 years time the situation is likely to be the reverse. There will be abundant supply of wood consisting of some fast growing species. Thus, the export markets should be considered already now.

The link between Sustainable Forest Management and markets for forest products is so essential that decisions concerning forest industry development should be made prior to making recommendations to farmers concerning species to plant. These decisions should be long-term decisions.

The scale of supporting activities in developing markets for raw material from farm forest should be large enough and requires participation of various players, enabling environment, and co-financing arrangements. The central level government and the Province have carried out a feasibility study on pulp production in the province. The planned capacity of the mill is 50,000 t/a. There is not yet final decision on the establishment of the mill. However, the Raw Material Company, established for the purpose, has already entered into contract with a number of farmers, in order to establish raw material plantations. The species are mainly *mangletia* and *hybrid acasia*, and *luong bamboo*. Financing comes as a credit to farmers.

The commune and village level authorities are fully aware of the implications and obligations of the national strategies aiming at poverty reduction and growth, as well as the 5 million hectare Afforestation Programme and related procedures for implementation. However, the communes simply lack the type

of skills, which would be needed for efficient planning and implementation. The development of such skills cannot be achieved overnight. The Province still experiences severe lack of cadres of educated and trained staff to man provincial and district offices in forestry, agriculture and rural development. The same applies for private sector including farmers. Many of the staff members serving in Bac Kan are from Thai Nguyen, and not permanent residents of the Province.

Since the Province can still be considered as a new province, the organisational structures are not fully developed. There are overlapping and parallel organisations which work in forestry, agriculture, and rural development. Especially the extension network is still not clear. The Provincial Extension Center is currently working on the system to streamline it.

The Official Development Aid (ODA) in Bac Kan Province was extensive during the period 1999 – 2003. There has been several major ODA Programmes, which also address forestry, agricultural extension, credit, and rural development. However, all these projects are phasing out, or the projects have already been completed.

3. Programme Design

VNFIFOR started in March 1996 and the Phase I lasted three years. The Programme strategy was to introduce and disseminate sustainable forest management and other farm-forestry practices as viable alternatives to shifting cultivation and other forms of unsustainable land use. It was agreed that the Programme implementation would be a continuous process of participatory learning and application. The geographic coverage of the Programme was initially the mountainous regions of Bac Thai Province where forestry was seen as a key potential activity, which could contribute to social and economic development. Local population, were suffering from social and economic problems due to lack of income generating opportunities. The deforestation and forest degradation due to mismanagement and non-optimal use of the resources was identified as one of the core problems. Phase I was designed to be a pilot phase, followed by a full implementation phase, which would replicate the developed models.

The “proposal” to implement the Programme was prepared by a team of consultants in April 1995. The final Programme document ‘Tentative Work Plan for the Programme Period’ was developed together by the Programme stakeholders and advisers during the implementation phase. This document of August 1996 shall be considered the Programme Document for Phase I. Thus, the analysis in this Programme Completion Report is based on it rather than the “Proposal” of 1995.

Phase II of VNFIFOR commenced in September 1999, and was completed September 2003. The design was based on the lessons learned from Phase I, but including expansion of the Programme area. The strategy remained the same. The identified core problems were still unchanged. However, during the first year of Phase II, a more comprehensive problem analysis was carried out.

The development objective of the Programme has been the same from the beginning: to contribute to sustainable rural development in the mountainous regions of Vietnam, through the integration of forestry activities in the rural land-use and economy.

Based on the revised problem analysis, VNFIFOR revised and amended the objectives to read:

- To contribute to sustainable rural development in the mountainous regions of Vietnam, through the integration of forestry activities in the rural land-use and economy. Within 15 years, and through interventions in the forestry and agricultural sectors, reach a state of sustainable forest

management, environmental protection, and sufficient income generation among poor and hungry households in Bac Kan Province.

Phase I of VNFINFOR design was based on participatory planning and Ministry for Foreign Affairs, Finland (MFA) guidelines (1993) for planning and management of cooperation projects. At that time, there were no known Vietnamese guidelines for project planning and management. Therefore, Phase I design lacked the Programme Purpose – the state of development at the end of the project period. Instead, component level objectives had been specified, which are comparable to the Programme Results.

Phase II design is based again on highly participatory design and followed to certain extent the new Guidelines for Programme Design, Monitoring and Evaluation issued by MFA in 1998. At that time, there were already Vietnamese government guidelines for management of ODA projects but there is no evidence that these were applied in the design.

The Programme Purpose (Phase II) in the Programme Document (PD) was specified as:

- To continue to support, develop and expand management solutions for sustainable use of forest resources and forestland in order to improve living standards and to protect the environment.

The Programme considered the Programme Purpose to be a bit loose statement and followed by the revision of the problem analysis in the beginning of 2000, the Programme revised and amended the Programme Purpose to more specifically state the intended situation after the Programme

- By the end of the Phase II, poor and hungry households of Programme communes have access to financing, training, forestland, markets and sustained extension support, and are able to generate income with available production factors.

The Component level objectives – Programme Results - in Phase I were specified in the Operational Plan 1996 as follows:

- Community Development: Established and tested mechanism to assist farmers/forest owners at the village level. Established financing scheme
- Capacity Building: The immediate objective of the capacity building component is improved capacity of the existing institutions in providing services for forestry extension.
- Dissemination: Transferred practical experience from the pilot villages/communes to neighbouring areas, to province level and finally to national level.
- Monitoring & Evaluation: Established monitoring and evaluation system at different levels.

The PD specifies the Programme results for Phase II as follows:

By 2003, the Programme should achieve the following six results:

- Result 1. Improved extension packages developed and disseminated, to improve farmer knowledge and adoption of more sustainable natural resource management.

- Result 2. Training Programme for Programme staff strengthened.
- Result 3. Improved access of farmers to credit.
- Result 4. Improved marketing and processing of agroforestry products.
- Result 5. Contributions made to improved policies (at national, provincial and community levels).
- Result 6. Strengthened Programme management

These results were slightly modified during the revision of the Programme Logical Framework. The Logical Framework was finally prepared end of 2001. Phase I did not have a standard logical framework since it was not required back then.

The Phase II Programme Results were as follows after the Mid –Term Review (2001) recommendations:

- Prog. Result 1: Land use planning and land allocation institutionalised
- Prog. Result 2: Efficient extension service to support sustainable and environmentally sound land use and farming practices established
- Prog. Result 3: Adequate facilities and capacity of staff of DARD and DARDOs to plan and manage forestry and land use schemes
- Prog. Result 4: Economically and financially sustainable micro-finance scheme for farmers operational
- Prog. Result 5: Marketing and processing systems for rural production established
- Prog. Result 6: Contributions made to improved policies at national, province, district, commune and village levels

Since the beginning of the Programme the project owner has been the Provincial People's Committee, initially Bac Thai and then Bac Kan People's Committee. The local implementing agency has been the Department of Agriculture and Rural Development, working with the DARDO of Cho Don District and the DARDO of Ba Be District, working in collaboration with other local institutions, communities, and local residents.

The Programme did not establish a Supervisory Board in either phase. The last Steering Committee of each year played the role of a Supervisory Board. Furthermore, a Project Management Team or Project Management Unit, was never formally established. This is because neither party – Vietnamese and Finnish side – were fully aware of each other's requirements and procedures for establishment of such organs. The issue was finally clarified in 2002. It was not possible to establish officially a Programme Management Board/Unit/Team because it would have required a decision by the Provincial People's Committee, and at the same time dismantling the existing Steering Committee, and issuance of an official stamp for the new board. The reason for this is that a project is according to the Vietnamese laws is a legal entity and it has one single governing body. In this case the Steering Committee. In practice, this means that all decisions had to be made by Steering Committee represented at local level by the Provincial People's Committee. At district and commune level, the Programme was implemented by District and Commune Management Boards, which took instructions from the Provincial People's Committee. In implementing the Programme, the DARD represented the Provincial People's Committee.

II. Results of the Programme

1. Implementation of Programme objectives

The achievement of the results must be studied bearing in mind that Phase I was designed to be a Pilot Phase, and Phase II the Expansion Phase. The general assessment is that the results were achieved to a satisfactory extent. Carrying forward the good systems and findings from Phase I, and further developing those systems, which Phase I did not complete satisfactorily, the Programme has managed to deliver a specific set of models, tools, methods, and systems for the Province to continue applying.

The core deliverables were:

- Land Allocation and Land Use Planning Guidelines
- SFM Models and Guidelines,
- Agricultural Models,
- Training Programme for Extensionists
- Demonstrations
- Extension Centres, vehicles, office equipment, trained staff
- Fund capital for Credit Scheme, Credit Monitoring System and trained staff
- Financial analysis of Credit Scheme operation
- Small Scale production models
- Market Information Centre, Market DataBase, trained staff
- Provincial policies, village regulations

The summary of the Planned/Achieved Programme level Results is presented in Table 1. The summary should be carefully studied by the provincial authorities, and measures should be taken to complete the work to fully achieve the results. By the end of the Programme, three out of the six specified results were fully or almost fully achieved:

- institutionalising of the Land Use Planning and Land Allocation
- Economically and financially sustainable micro-credit scheme
- contribution to policy development

The reasons for not reaching the results fully are explained in *Chapter 3: Analysis of Factors that Affected the Results*.

During Phase I, financed from the local contribution, land allocation was carried out to Green Book level in nearly all the future Programme communes. The critical assumption made during the preparation of Phase II, was that the land allocation would be completed in all future Programme villages prior to the commencement of Phase II. This assumption did not hold. In Phase II, the Programme added a component to support land allocation. Land use planning was incorporated to the approach.

The results have been achieved to 90 %. The Guidelines were officially approved in May 2003. The Guidelines have been disseminated to MARD/FSSP but it is too early to say if the method will be applied outside the Province. Bac Kan will continue applying the method when need arises.

The functioning extension organisation or as it was called in Phase I, the mechanism to assist farmers was achieved only to 60 %. The extension organisation was not completed. The revised extension system proposed by the Programme was not adopted due to financial constraints.

The capacity building results were achieved to 80 %. DARD and district organisations SFEs and DARDOs, and communes have adequate physical facilities including buildings, transport, computers, tools. Staff capabilities have been improved but due the fact that most of the staff has been contracted staff, and very few permanent staff members have participated in training, it cannot be stated that there is the capacity to plan and manage forestry and land use schemes, and extension, and that DARD/DARDOs will continue applying the new methods.

The policy concerning restructuring undermines the achievement of the result. There is clearly a missing link between the Provincial plans and the objectives of the capacity building. The consultants providing the support services failed to understand the situations and should have proposed a Human Resource Development plan with clear links to Provincial planning.

The results for creating a sustainable financing source, especially for the poorest strata of farmers, was achieved to 99 %. The full credit scheme is operational and meets the farmers demands, 98 % loans are used for correct (eligible) purposes. Bad loan rate is close to 0%. The Fund capital has not been reduced, and the Credit Scheme is economically and financially sustainable.

Marketing and Processing results were achieved to 50 %. The systems are established but information is not regularly available for farmers and buyers. No data is available on actual increased sales and production, and earnings. Processing models were developed and their feasibility calculated and established. Due to the lack of permanently employed local staff, the results could not be fully achieved. It was not possible to fully transfer the systems to permanent local staff. Provincial Extension Center through its new section for Information will continue the work.

The level of achieving the policy development results can be assessed in two different ways. If the results are assessed against the specified target in the PDs, it can be said that the results were achieved to 100 %: Contributions were made to provincial policy work, and national policies (FSSP). Phase I produced a number of valuable documents, and Phase II continued this taking some of the documents to the policy level. If the results are considered against the indicators developed in Phase II, the achievements are less encouraging.

Programme Completion Report

Table 1: Summary and comparison of results as planned and achieved: 1996 – 2003

Planned results Phase I	Planned results Phase II (as in PD)	Planned results Phase II (as in final LF)	Results achieved Phase I	Action taken during Phase II to achieve uncompleted Phase I results	Indicators Phase II	Results achieved Phase II
Sub-result: Established land allocation	Completed Land use planning and allocation was the critical assumption for Phase II. Since it did not materialize, Phase II added LUPLA as a component and result	Prog. Result 1: Land use planning and land allocation institutionalised	The land allocation was not completed to Red Book level but Green Book level. In Phase, I a review carried out. In May 1996 27% of forestland was allocated in the two pilot communes. By the end of 1998, 90% of land was allocated. All households have received some forestland.	The land allocation was taken to green book level only in Phase I. In Phase II, the LUPLA was taken to Red Book level.	Land use planning guidelines are officially approved as a model for land use planning and allocation by competent authorities; Planning and Training Manual taken to wider use and applied in land allocation outside Programme area by Cadastral Service and FPD.	Achieved 90 %. The Guidelines were officially approved in May 2003. Issuance of Red Books completed. The Guidelines have been disseminated to MARD/FSSP. Bac Kan is committed to apply the LUPLA method when need arises. It is too early to say if the method will be applied outside the Province.
Community Development: Established and tested mechanism to assist farmers/forest owners at the village level.	Result 1. Improved extension packages developed and disseminated, to improve farmer knowledge and adoption of more sustainable natural resource management.	Prog. Result 2: Efficient extension service to support sustainable and environmentally sound land use and farming practices established	Not fully achieved. Studies carried out successfully, and mechanisms tested but not established.	In Phase II for clarity and organisational reasons (to fit the existing organisations), financing services (micro-credit scheme), land use planning and land allocation, marketing and processing were designed as Components with specific results.	Extension organisation revised; All commune and district extension staff trained adequately; Staff able to train farmers; Farmers able to apply new techniques; 3700 farmers trained in forestry, agriculture	Achieved 60 %: The extension organisation is completed inside the Programme area. Vocational training completed for commune extension staff. District staff has been contracted staff and it is not known how many of them will continue in extension. The staff is able to train farmers in most disciplines. The farmers still lack skills or are not applying fully the new introduced techniques
Capacity Building: The immediate objective of the capacity building component is improved capacity of the existing institutions in providing services for forestry extension.	Result 2. Training Programme for Programme staff strengthened.	Prog. Result 3: Adequate facilities and capacity of staff of DARD and DARDOs to plan and manage forestry and land use schemes	The extension system remained under development at the end of Phase I. A strategy to shift more responsibility to commune and village level was envisaged but not developed to respond to farmers need in a larger scale.	In Phase II, the development of the extension system was specified as specific Programme Result. The improved capacity of the institutions was not reached since few of the trained human resources were carried forward to Phase II.	Staff capabilities in different skill areas improved compared to training need survey; Vehicles, tools, computers, offices and extension centres purchased Phasing-out strategy confirms DARD/ARD capacity to continue applying the new methods	Achieved 80 %: DARD and district organisations SFES and DARDOs, and communes have adequate physical facilities including buildings, transport, computers, tools. Staff capabilities have been improved but due the fact that most of the staff has been contracted staff, and very few permanent staff members have participated in training, it cannot be stated that there is the capacity to plan and manage forestry and land use schemes, and that DARD/DARDOs will continue applying the new methods. Staff from FU, WU, etc. have improved capacities. (refer to text for clarifications)

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Planned results Phase I	Planned results Phase II (as in PD)	Planned results Phase II (as in final LF)	Results achieved Phase I	Action taken during Phase II to achieve uncompleted Phase I results	Indicators Phase II	Results achieved Phase II
Sub-result: Established financing scheme	Result 3. Improved access of farmers to credit.	Prog. Result 4: Economically and financially sustainable micro-finance scheme for farmers operational	Not achieved. The scheme was established but not fully operational. Not all funds disbursed as loans. Monitoring system not established.	Loan portfolio carried over to Phase II. Complete revision of policy, regulations, monitoring, training, sustainability calculations	All credit funds disbursed. Satisfied credit needs of farmers based on farm plans, Credit used for correct purposes. All loans repaid. Fund capital not reduced. Operators able to run credit scheme in a sustainable way.	Achieved 99 %: The full credit scheme is operational and meets the farmers demands, 98 % loans used for correct (eligible) purposes. Bad loan rate close to 0%. Fund capital not reduced. The Credit Scheme is economically and financially sustainable.
Sub-result: Information on markets Technical skills in appropriate technology	Result 4. Improved marketing and processing of agroforestry products.	Prog. Result 5: Marketing and processing systems for rural production established	Result Achieved.		Market information available for suppliers and buyers; Availability of market information has increased sales of products and farmer earnings; Current processing models expanded. New processing models built up in villages	Achieved 50 %: The systems are established but information is not regularly available for farmers and buyers. No data available on actual increased sales and production, and earnings. Processing models developed and their feasibility calculated and established. Due to lack of permanently employed local staff the results could no be achieved fully. It was not possible to fully transfer the systems to permanent local staff. Provincial Extension Center through its new section for Information will continue the work.
Dissemination: Transferred practical experience from the pilot villages/communes to neighbouring areas, province level and finally national level.	Result 5. Contributions made to improved policies (at national, provincial and community levels).	Prog. Result 6: Contributions made to improved policies at national, province, district, commune and village levels	Result Achieved. Provided the provincial authorities with a series of consultancies concerning development of the credit scheme, agroforestry, marketing and processing studies, gender issues, and an impact assessment. The results of these consultancies have been published in a series of 15 technical reports.		Improved knowledge and awareness of farmers of land allocation policies. Increased use of Programme "lessons learned," technical guidelines and extension materials elsewhere in Vietnam. Programme findings used in policy revisions	Achieved 100 %: Contributions made to provincial policy work, and national policies (FSSP). Farmers knowledge and awareness improved.
Monitoring & Evaluation: Established monitoring and evaluation system at different levels	Result 6. Strengthened Programme management	Strengthened Programme Management was not seen as a separate result contributing to the Programme purpose. It was incorporated to Capacity Building component	Not achieved	Development of monitoring system as component result in Phase II		

2. Implementation of Programme components

2.1 Summary of the major physical outputs

Like in assessment of the Programme Results, the basis for the analysis is the “proposal” to implement the Programme, which was prepared by a team of consultants in April 1995. The final Programme document ‘Tentative Work Plan for the Programme Period’ was developed together by the Programme stakeholders and advisers during the implementation phase. This document of August 1996 shall be considered the Programme Document for Phase I. Thus, the analysis in this Programme Completion Report is based on it rather than the “Proposal” of 1995. In Phase II the PD structure was maintained and thus the activities can be compared to the planned activities.

Summary of main activities

The Programme carried out the following main activities during its lifetime:

Land use planning and Land Allocation; Extension including development of an Extension System, PRAs in all Programme villages, household and village development planning (HHD, VDP), Sustainable Forest Management Planning, farmer training, establishment of demonstrations (models), and support to Poor & Hungry Households; Capacity Building including staff training, gender training, construction and procurement of equipment, and organisation Development; Credit Scheme including Grant Financing for forestry activities; Marketing and processing including small business activities, Market information development; and Policy development.

Outputs that were produced against the targets planned in the Programme Document, in other words, major activities completed, are presented in the following Summary, Table 2.

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Table 2: Summary of Main Activities and Delivered Outputs: 1996 - 2003

Activity	Planned Outputs Phase I		Delivered Outputs Phase I		Planned Outputs Phase II		Delivered Outputs Phase II		Total Delivered Outputs	Remarks
	Unit	Quantity	Unit	Quantity	Unit	Quantity	Unit	Quantity		
LUPLA										
Land use planning	N/a	Strategy; delineation of boundaries	Commune	Review Report; 90% of total forest area allocated to Green Book level	N/a	0	ha	9,621	99 % of the forest area;	Completed land allocation was a precondition for Phase I and again Phase II
Land Allocation	N/a	Strategy; delineation of boundaries	Ha Green Book	2024 776	N/a	0	Red Book	3000	3000	
Extension										
Extension System	N/a	Extension strategy	N/a	Report and recommendations	N/a	Extension system	Proposed system	N/a	N/a	The Programme has developed a proposal for extension system from Province to village level. It is unlikely that this system will be adopted.
PRAs	Village	>5	Village	21	Village	76	Village	75	96	PRAs were repeated in 21 Phase I villages
HHD, VDP	Plan	Not quantified	Plan	400	Plan	Not quantified	Plan	1204	1604	
Forest Management Plans	N/a	N/a	N/a	N/a	ha	Not quantified	ha	>400	>400	
	N/a	N/a	N/a	N/a	Plan	Not quantified	Plan	200	200	
					Guideline	Not quantified	guidelines	1		
Farmer training	Training day	Not quantified	Training day	3,380	Training day	29,140	Training day	20,578	23,952	Many farmers were registered as villages extensionists and appear under "Staff training"
Demonstrations	Model	Not quantified	Model	23	Model	Not quantified	Model	65	88	
Poor & Hungry Household support	N/a	N/a	N/a	N/a	N/a	N/a	free seeds, fertiliser			
Capacity Building										
Staff training	Training day	Not quantified	Training day	1,050	Training day	920	Training day	4,576	5,626	
Gender training	Training day	Not quantified	Training day	N/a	Training day	Not specified	Training day	1,391	1,391	
Investment in Construction	No. buildings	Not quantified	No buildings	2	No. Buildings	2	No. Buildings	2	4	
Investment in Equipment	EUR	122,777	EUR	84,737	EUR	218,000	EUR	270,000	354,737	
Organisation Development						Not specified	System	Extension, monitoring		

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Activity	Planned Outputs Phase I		Delivered Outputs Phase I		Planned Outputs Phase II		Delivered Outputs Phase II		Total Delivered Outputs	Remarks
	Unit	Quantity	Unit	Quantity	Unit	Quantity	Unit	Quantity		
Credit										
Credit Fund	Capital EUR	96,708	Capital EUR	101,503	Capital EUR	336,274	Capital EUR	308,157	409,661	
	No. of loans	Not quantified	No. of loans	415	No. of loans	Not quantified	No. of loans	2,977	2,977	
	No of clients	Not quantified	No of clients	415	No of clients	Not quantified	No of clients	2,600	2,600	
Grant Financing for afforestation/reforestation	N/a	N/a	N/a	N/a	ha	Not quantified	Ha	94	100	In Phase I, 164 ha of reforestation financed by loans from credit scheme
	N/a	N/a	N/a	N/a	No seedlings	Not quantified	Seedlings	>121000	121,000	
Marketing and processing										
Small business activities	N/a	N/a	N/a	N/a	No. Processing model	Not quantified	No. Processing model	8 models	8	Weaving, fodder, honey, mushroom, arrowroot, vermicelli, tea processing, blacksmith
Feasibility studies	N/a	N/a	Study	3	Study	1	Study	2	5	Phase II carried out a Feasibility study on mechanical forest industry development with external financing
Market information	N/a	Market information	N/a	4 studies	N/a	Market information	N/a	4 studies; Market Information System	8 studies; Information system	Information system ready but not taken into use due to staffing problems
Policy development										
Guidelines & Reports	No	Not quantified	Volume	18	Volume	Not quantified	Volume	5		
Village Forest Regulations	No	Not quantified	Volume	0	No	Not quantified	No	75		
Contribution to national and provincial policy making	N/a	Policies adjusted	N/a	nil	N/a	Not quantified	N/a	1	1	LUPLA Manual and Guidelines officially approved as provincial policy

2.2 Summary the financial results in terms of both ODA funds and counterpart funds

Financial statements and their comparison with the budgets

A. Phase I

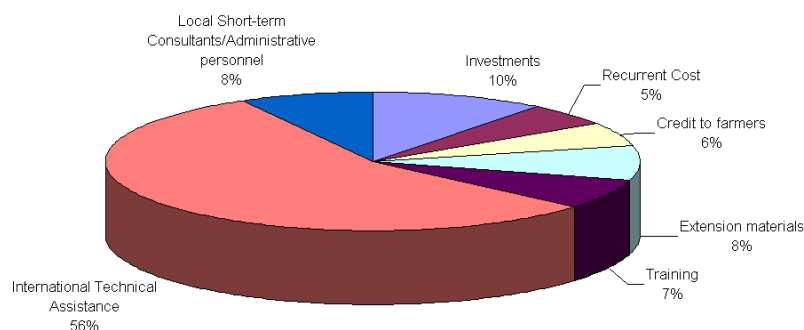
Vietnamese Contribution

Items	Budget VND	Actual cost VND	Remaining VND
Land allocation (30 000 ha * 31 000 vnd)	930 000 000	877 300 000	52 700 000
Agreement signing	50 000 000	50 000 000	0
Facilities for the Programme office	50 000 000	150 800 000	-100 800 000
Salary & allowances for Programme staff	355 840 000	355 840 000	0
Social & health insurance	32 832 000	32 832 000	0
Maintenance & repair of vehicles	150 000 000	138 000 000	12 000 000
Fuel	38 400 000	75 400 000	-37 000 000
Facilities for local administrative staff	150 000 000	150 000 000	0
• Stationery, training courses, course facilities & equipment			
• wooden & electric facilities	150 000 000	150 720 000	-720 000
Socio-economic studies, demonstration plots in the villages	150 000 000	142 000 000	8 000 000
Tax of land, communication (telephone)	337 294 000	337 294 000	0
Meetings, monitoring, visiting missions, awarding	200 000 000	257 700 000	-57 700 000
Expenditures for expanding the Programme	420 000 000	0	420 000 000
Establishment of the demonstration plots in the communes	350 000 000	150 000 000	200 000 000
TOTAL	3 364 366 000	2 990 886 000	373 480 000

Finnish Contribution

Budget item	Budget 96-99 FIM (as in PD)	Budget 96-99 EUR (as in PD)	Total Accumulated Expenditure 96-99 FIM	Total Accumulated Expenditure 96- 99 EUR	Diff. +/- Financing Frame EUR
Investments	1,085,000	182,484	1,041,062	175,094	7,390
Facilities	450,000	75,685	537,237	90,357	-14,672
House construction (Thai Nguyen/Bac Kan)	400,000	67,275	402,494	67,695	-419
Office construction (Cho Don)	50,000	8,409	134,742	22,662	-14,253
Project vehicles	420,000	70,639	364,562	61,315	9,324
Forestry equipment	120,000	20,183	34,143	5,742	14,440
Office equipment	95,000	15,978	96,180	16,176	-198
Other investments	0	0	8,940	1,504	-1,504
Recurrent Cost	566,000	95,194	761,225	128,029	-32,834
Project administration	126,000	21,192	276,507	46,505	-25,313
Interpretation and language training	330,000	55,502	312,644	52,583	2,919
Project vehicles, fuel and maintenance	110,000	18,501	130,317	21,918	-3,417
Other recurrent costs	0	0	41,757	7,023	-7,023
Credit to farmers	575,000	96,708	561,255	94,396	2,312
Extension materials	815,000	137,073	137,720	23,163	113,910
Training	725,000	121,936	611,374	102,826	19,111
Regional training	320,000	53,820	339,951	57,176	-3,356
Local training	405,000	68,116	270,192	45,443	22,673
Other training	0	0	1,232	207	-207
International Technical Assistance	5,787,250	973,346	6,056,774	1,018,676	-45,331
Local Short-term Consultants/Administrative personnel	822,825	138,389	245,112	41,225	97,164
TOTAL	10,376,075	1,745,131	9,414,522	1,583,409	161,722

Finnish Contribution by main components (% of total)



B. Phase II

Vietnamese Contribution

Details of Programme Expenditure 1999-2003: Vietnamese Contribution

Item	Budgeted Phase II		Actual Expenditure Phase II	Diff +/- of total Financing Frame	
	FIM	EUR		VND	VND
Development Investments					
<i>Investments for Bac Kan Province</i>					
Human Resources Development Investments	300,000	50,456	823,500,000	0	823,500,000
Land Allocation Costs	291,439	49,017	800,000,055	236,634,219	563,365,836
Other (facilities, vehicles, equipment)	430,250	72,363	1,181,036,250	31,958,000	1,149,078,250
Recurrent Operating Costs	308,976	51,966	848,139,120	1,812,553,457	-964,414,337
Sub-Total:	1,330,665	223,802	3,652,675,425	2,081,145,676	1,571,529,749
Program Management					
Reviews, Monitoring and Evaluation	90,075	15,150	247,255,875	0	247,255,875
Sub-Total:	90,075	15,150	247,255,875	0	247,255,875
Vietnamese Personnel					
GOV staff, basic allowances, social&health insurance	514,992	86,615	1,413,653,040	353,297,196	1,060,355,844
Contingency	362,994	61,051	996,418,530	0	996,418,530
Overall Total	2,298,726	386,618	6,310,002,870	2,434,442,872	3,875,559,998

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Finnish Contribution

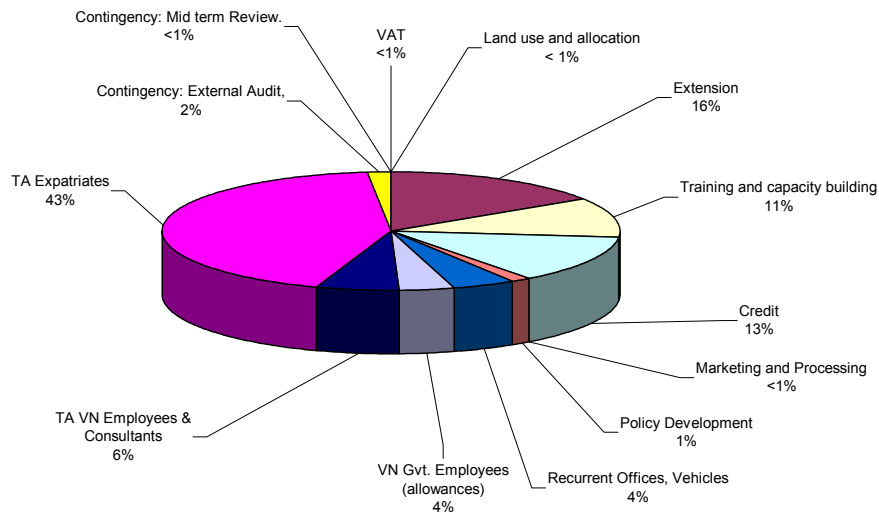
By accounts

	Budget 99-03 FIM	Budget 99-03 EUR	Total Accumulated Expenditure 99-03 EUR	Diff +/- of total Financing Frame EUR
110 Regional training and study tours	170,000	28,592	19,126	9,466
120 In-country study tours	76,600	12,883	23,231	-10,348
130 Local extension training	731,472	123,025	163,706	-40,681
140 Extension materials	1,201,600	202,095	116,176	85,918
150 Other training	240,000	40,365	45,006	-4,641
210 Land allocation	0	0	5,584	-5,584
220 Revolving credit programme (loans) for farmers	2,000,000	336,376	351,965	-15,589
230 Other capital investments	1,239,950	208,545	239,691	-31,146
260 Office equipment	61,000	10,259	32,366	-22,107
310 Recurrent operating costs	672,680	113,137	109,085	4,051
410 Central government investments	200,000	33,638	14,556	19,081
510 Programme management	312,000	52,475	24,024	28,451
610 Vietnamese personnel	1,490,400	250,667	294,659	-43,992
710 Expatriate personnel	6,552,000	1,101,967	1,025,743	76,224
801 VAT	0	0	742	-742
Contingency:Mid Term Review & Audit	252,298	42,433	47,637	-5,204
Total	15,200,000	2,556,456	2,513,298	43,158
Exchange rate FIM/EUR	5.94573			

By Components

	Budget 99-03 FIM	Budget 99-03 EUR	Total Accumulated Expenditure 99-03 EUR	Diff +/- of total Financing Frame EUR
1 Land use and allocation	0	0	8,468	-8,468
2 Extension	2,419,872	406,993	299,530	107,464
3 Training and capacity building	1,612,950	271,279	323,709	-52,431
4 Credit	2,000,000	336,376	357,658	-21,282
5 Marketing and Processing	0	0	46,819	-46,819
6 Policy Development	200,000	33,638	32,391	1,247
81 Recurrent Offices, Vehicles	672,480	113,103	93,180	19,923
82 VN Gvt. Employees (allowances)	590,400	99,298	36,297	63,002
83 TA VN Employees & Consultants	900,000	151,369	245,697	-94,328
84 TA Expatriates	6,552,000	1,101,967	1,019,811	82,156
85 Contingency: External Audit,	252,298	42,433	26,974	15,460
86 Contingency: Mid term Review.	0	0	22,022	-22,022
87 VAT	0	0	742	-742
Total	15,200,000	2,556,456	2,513,298	43,158

Finnish Contribution by Main Components (% of total)



Major issues relating to the variations to the total value of funds for the Programme as specified in the Agreement against the value in the selected bids and the total value actually disbursed.

The original budget for the Phase I was FIM 10,365,575 from the Finnish Government contribution and VND 3,364,366,000 from the Vietnamese Government contribution. By the end of the Phase I 91% (1.58 million EUR) of the Finnish contribution was disbursed and respectively 89% (2,990 million VND) of the Vietnamese Government contribution.

The Vietnamese contribution for the Programme in Phase II was budgeted as 521,240 EUR (3.1 FIM million), or 6.3 billion VND. The actual expenditure for the Phase II was 2.434 billion VND. The implementing agency estimates that the final cost will be 2.9 billion VND.

The original Finnish contribution budget in the PD for Phase II was 15,428,880 FIM, equivalent to 2,594,951 EUR. The Programme Agreement states that the Finnish Contribution is 15,500,000 FIM, equivalent to 2,606,913 EUR, and the final frame in the Consultancy Contract 15,200,000 FIM, or 2,556,456. The budget comparison in this Report is based on the latter amount. The final expenditure includes the cost for the 1st External Financial Audit 26,835.97 EUR, and MTR costs 123,678.19 FIM/ 20,801 EUR. The actual utilisation of the Finnish contribution in Phase II was 2,513 million EUR, equivalent to 14,943 million FIM.

MFA has directly used 300,000 FIM for translation and travel cost of the Steering Committee members, and for part of the MTR costs.

Overview of the Technical Assistance personnel, institutional partners and consultants

Local institutions have had a key role in the implementation of the Phase I and Phase II. The following organisations and institutions have collaborated in the implementation: MARD, ISG, FSSP Coordination Unit, People's Committees of Cho Don and Ba Be, DARDs in Cho Don and Ba Be, State Forest Enterprises, Forest Protection Department, Agricultural Service Company, Seed Company, Farmers' and Women's Unions in Cho Don and Ba Be, Vietnam Bank for Poor, Cadastral Office, Thai Nguyen University, and other projects. Programme support services were provided by Indufor - Metsähallitus Group, JP Development, Scanagri, Viet Thong Co Ltd., Viettan Co Ltd., Crown Media Co, and Enso Forest Development and FTP International in Phase I.

The main collaborators and beneficiaries were above all, the great individuals - the farmers.

During Phase I the technical assistance consisted of two long-term international advisers (CTA 36 months, field adviser 26 months), six international short-term consultants (15 months) and 22 Vietnamese short-term consultants (38 months). In Phase II, the long term TA was deliberately reduced to 44 months for the CTA and 22 months for the international Senior Field Adviser. In addition to this, a Vietnamese Field Adviser was assigned for 48 months. Short-term international assignments in Phase II were initially designed for 8 months and local TA for 36 months. Based on MTR and Steering Committee decisions, the international TA was increased by 5 months.

Overview of the equipment and other fixed assets

The Programme financed from the Finnish contribution an Office building in Bac Kan, and Office building and guest rooms at Bang Lung, Cho Don. These were completed in Phase I. During Phase II, the Cho Don Office was rehabilitated. The total cost was 7,443 EUR. In Phase II, co-financing from the Finnish contribution was made for the construction of an Office building at Cho Ra, Ba Be. Helvetas provided 50 % of the financing. The total from the Finnish contribution was 13,468 EUR. The Finnish contribution was used for borehole survey and drilling in Bac Kan costing 3,006 EUR.

New construction in Phase II included Cho Don extension house and Cao Tri Extension house. GOV provided 40 % and FOF 60 % of the financing, the Finnish contribution being 8,611 EUR for Cho Don extension house and 5,022 EUR for Cao Tri extension house.

A Credit Scheme was established with the proceeds from the Finnish contribution. The donated equity – fund capital – transferred in Phase I was 101,503.76 EUR. This is calculated from the VND balances handed over from Phase I, and differ from the reported amount in Phase I Completion Report 561.255 FIM equivalent to 94,396 EUR. Total transfers to the fund capital during Phase II were 4,255,000,000 VND, or 308,157.85 EUR. The Total Phase II allocation (in PD at FIM/VND exchange rate 3/99) was 5,490,000,000 VND, or 336,274.05 EUR. Thus, the Total donated equity including funds transferred in Phase I was 5,605,000,000 VND, equivalent to 409,661.61 EUR. The balance of the Phase II allocation was spend on grant financing of forest planting as recommended by the MTR, and decided by the Steering Committee.

The Programme funds were used to procure an adequate amount and quality of vehicles, equipment and tools, as well as various extension packages. The main items were 25 sets of PC Desktops, 5 Laptops, 9 printers, a Digital Video projector, and Mapping software. The Programme procured five 4X4 vehicles, one Minibus, and 30 Motorbike. No horses were procured contrary to the PD.

The Extension Packages are considered to include SFE's nursery, Nursery in Bang Lung, and forest and fruit tree seedlings amounting to more than 200.000 seedlings. For the processing development the Programme proceeds were used to procure Bee keeping equipment and hives, initial investment for Brocade production, and Vermicelli processing equipment, and Arrowroot processing project.

Directly benefiting the extension work in the villages is the investments made to Furniture and equipment to the Extension House, in Dong Lac; Furniture for Cao Tri Extension; equipment for Quang Khe extension house; Bicycles for village extension, Cho Don (237) and Bicycles to extensionists, in Ba Be (69). The most appreciated investment has been the village libraries, which were stocked with books.

2.3 Efficiency

Efficiency refers to the cost-effectiveness of converting means into results. In other words, the analysis should show if the quantity and quality of the produced results justify the quantity and quality of the means (inputs) used for achieving the results during the Programme lifetime. Especially, the assessment of the quality of the inputs – TA, Vietnamese staff seconded/contracted, printed material, interpretation/translation etc. – poses a problem for evaluators. This is particularly true in self-evaluations such as this report. The problem is how to evaluate objectively. Therefore, the evaluation of the quality aspects is left for a possible post-evaluation to assess.

In order to evaluate the adequacy of the quantitative inputs, an attempt was made to apply two methods:

- 1) Analysis of the input volume and cost for their adequacy and justification,
- 2) Comparative analysis (comparison of some results with similar results in other projects).

Applying the second method proved difficult. The Programme did not get concise information from other projects in time to complete the analysis. This analysis is done only for the Credit Component.

Again, it must be noted that Phase I was considered as a piloting phase and Phase II expansion phase. Therefore, the efficiency is analysed in relation to the results achieved at the end of the Programme. The efficiency does not depend only on the quality of the inputs but is very much determined by many factors, which are discussed in *Chapter 3*. A further problem in the analysis is that Phase I did not establish such accounting and cost control system which would provide financial data related to the results (Component Structure). The same applies for the accounting and cost control system for the Vietnamese contribution in both phases.

1) Analysis of the input volume and cost for their adequacy and justification,

The result for solving land allocation and land use problems was achieved almost fully. The total cost, which includes testing the method on 5500 ha, and 3000 involved households is fully justified. This is far better result than in some other projects, which developed only guidelines but not the actual land allocation and land use planning.

The result for Extension component was not achieved. However, if the total cost is cleaned from direct inputs to farmer training, materials to farmers, seed/seedlings i.e. extension packages, the cost of achieving the result is still justified. The inputs to developing the extension system were efficiently used. Unfortunately, the system developed is now beyond the financial capacity of the Province.

The result for Capacity Building was achieved to 80 %. The cost of buildings and equipment is fully justified. There is no evidence that the HRD part will have any permanent impact. The staff training will benefit the persons who received training and the institutions, but not as much as expected.

As for the Credit Component, the result was achieved almost fully. The total cost which excludes the equity (fund capital) is justified. The cost is on the higher side due to local TA spent on salvaging Phase I loans. The inputs in Phase I did not result in a feasible scheme.

The result for Marketing Component was not achieved. There is no evidence that the 4 market studies and resulting reports will benefit the institutions. The investment in processing models is fully justified.

For Policy Component, the result was achieved almost fully. The total cost is justified.

All inputs in to the M&E were misguided. If the M&E is considered as a separate result, the investment was not justified. In reality, a separate M&E system was not even needed.

2) Comparative analysis

The External Appraisal of the VNFINFOR Credit Scheme Plan refers to a micro-credit project implemented by Save The Children, UK. SC/UK and Cam Xuyen district WU cooperated in a credit/savings programme in Cam Xuyen district since 1993. In 1997, DFID signed an agreement with Ha Tinh provincial PC to provide a poverty alleviation programme in Ha Tinh province through 3 organizations that are SC/UK, Action Aid and Oxfam/GB. Cam Xuyen is one of the 3 districts benefiting from this programme. Thus, the project has been in operation for 10 years. It is not known how many and what kind of TA has been provided. The Project evaluated its status in 2002. The following shortcomings were identified:

- No legislation frame available effective for Micro-finance.
- Project Management staff are Women Union staff **whose capability is limited**.
- Few borrowers faced risks or inefficiently loan using.
- Few borrowers did not use loans for applied purposes.
- Few groups **did not well organized and managed group meeting (done in VNFINFOR)**
- **Upgrade accounting system (collaborating with WOCCU): overwhelmed volume of work, short time, limited-capacity partners, slowly developed.**
- **Double-entry accounting system (October 2002); (done in VNFINFOR)**
- Financial management: (November 2002); (done in VNFINFOR)
- Internal control (November 2002); (done in VNFINFOR)
- Monitor and supervision, especially at district level (December 2002); (done in VNFINFOR)

	Years of support	TA	No of Village	No of group	No of member VNFINFOR = borrowers	Total Fund	Cost per client
SC/UK Scheme	10	?	131	3.869	19.589	19.595.916.548	?
VNFINFOR Scheme	5	Direct TA 20 m, ST TA 5, ST local TA >50 m; local staff > 200 m	77	77	2977	5.600.000.000	>20.000<35000 VND (excluding Int TA)

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Table 3: Analysis of the input volume and cost for their adequacy and justification

Component	Results achieved Phase I	Planned results Phase II (as in final LF)	Results achieved Phase II	Means(Phase I &II)	Total cost (estimated) EUR	Assessment
LUPLA	The land allocation was not completed. In Phase I a review carried out. In May 1996 27% of forestland was allocated in the two pilot communes. By the end of 1998, 90% of land was allocated. All households have received some forestland.	Prog. Result 1: Land use planning and land allocation institutionalised	Achieved 90 %. The Guidelines were officially approved in May 2003.	CTA 3 m, Nat Expert 8 m,	75,000	The result was achieved almost fully. The total cost, which includes testing the method on 9200 ha, and 3000 households are fully justified.
Extension	Not fully achieved. Studies carried out successfully, and mechanisms tested but not established.	Prog. Result 2: Efficient extension service to support sustainable and environmentally sound land use and farming practices established	Achieved 60 %: The extension organisation not completed. The revised extension system proposed by the Programme will not be adopted.	Direct TA 92 m, ST TA > 10, local staff > 500 m; 6 extension buildings; 20 motorbikes; 3 4X4 vehicles; 1 minibus; 15 PC;	1,900,000	The result was not achieved. However, if the total cost is cleaned from direct inputs to farmer training, materials to farmers, seed/seedlings i.e. extension packages, the cost of achieving the result is still justified. .
Capacity Building	The extension system remained under development at the end of Phase I. A strategy to shift more responsibility to commune and village level was envisaged but not developed to respond to farmers need in a larger scale.	Prog. Result 3: Adequate facilities and capacity of staff of DARD and DARDOs to plan and manage forestry and land use schemes	Achieved 80 %: DARD and district organisations SFEs and DARDOs, and communes have adequate physical facilities including buildings, transport, computers, tools.	Direct TA 40 m, ST TA 5, local staff > 200 m; 2 office buildings; 3 motorbikes; 1 4X4 vehicles; 10 PC;	1,500,000	The result was achieved to 80 %. The cost of buildings and equipment is fully justified. There is no evidence that the HRD part will have any permanent impact. Much of the staff training will benefit only persons who received training, not the institutions.
Credit	Not achieved. The scheme was established but not fully operational. Not all funds disbursed as loans. Monitoring system not established.	Prog. Result 4: Economically and financially sustainable micro-finance scheme for farmers operational	Achieved 99 %: The full credit scheme is operational and meets the farmers demands, 98 % loans used for correct (eligible) purposes. Bad loan rate close to 0%. Fund capital not reduced.	Direct TA 20 m, ST TA 5, ST local TA >50 m; local staff > 200 m; 2 motorbikes; 5 PC;	300,000	The result was achieved almost fully. The total cost which excludes the equity (fund capital) is justified. The cost is on the higher side due to local TA spent on salvaging Phase I loans. The inputs in Phase I did not result in a feasible scheme.

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Component	Results achieved Phase I	Planned results Phase II (as in final LF)	Results achieved Phase II	Means(Phase I &II)	Total cost (estimated) EUR	Assessment
Marketing and processing	Result Achieved.	Prog. Result 5: Marketing and processing systems for rural production established	Achieved 50 %: The systems are established but information is not regularly available for farmers and buyers. No data available on actual increased sales and production, and earnings. Processing models developed and their feasibility calculated and established.	Direct TA 10 m, ST TA 8, local staff > 200 m; 2 PC;	330,000	The result was not achieved. There is no evidence that the 4 market studies and resulting reports will benefit the institutions. The investment in processing models is fully justified.
Policy development	Result Achieved.	Prog. Result 6: Contributions made to improved policies at national, province, district, commune and village levels	Achieved 100 %: Contributions made to provincial policy work, and national policies (FSSP).	Direct TA 10 m, support to MARD PWG	160,000	The result was achieved almost fully. The total cost is justified.
M&E		Strengthened Programme Management was not seen as a separate result contributing to the Programme purpose and was incorporated to Capacity Building Component			100,000	All inputs in to M&E were misguided. If the M&O is considered as a separate result, the investment was not justified. In reality, a separate M&E was not even needed.
Total means (EUR), including GOV inputs					4,365,000	

3. Analysis of (positive and negative) factors that affected the results of the Programme

Implementation arrangements for the Programme/project

The key to the efficient implementation is the Project Organisation. The base organisation was designed in Phase I, and carried forward to Phase II but to include also the new district, Ba Be. The organisation may have been satisfactory when the Programme operated only in a limited number of communes and villages, but the organisation certainly failed in Phase II. This is actually nobody's fault. The mistake was that the organisation design did not follow the basic rules of organisational theory. The main rule, which was overlooked is that *the organisation must be clear*, either hierarchical or matrix organisation, but definitely not a mixture of both. Secondly, the organisation failed to take into regard potential and likely changes in the project environment.

Therefore, the organisation arrangements for Cho Don District remained unclear to the stakeholders throughout Phase II. Late August 2002, the District Management Board in Cho Don re-organised itself and decided on individual TORs for its members. In Ba Be, the Programme organisation worked better. The District Management Boards were fully capable to plan and implement the Programme.

Capacities for the implementation of the Programme/project

Owing to the fact that the Province is a newly established, there has not been adequate numbers of qualified permanent staff to fully participate in the VNFIFOR implementation. The solution from the very beginning has been to contract staff from various local organisations to work on a full-time basis in the Programme. Midway through Phase II a regulation was issued concerning the staff who works in and for ODA projects. The guiding document No.96/HD-UB dated September 14th, 2001 issued by the People's Committee and Decree No.09/NQ-BDS dated November 16th, 2001, on "Restructuring for the permanent Government Employees working full-time for ODA funded projects and Programmes", effectively undermines the capacity building component. All the district level staff is contracted staff and will not continue the same work after the Programme. At the provincial level, there is only one staff member – working part time – who is likely to continue implementing the designed solutions. From the Finnish point of view, the Vietnamese staffing policy (arrangements for using regular/contracted staff) does not match with the policies of GOF, and it leads to a situation, which would mean that the Implementing Agency seems to lack the capacity to receive ODA. The Programme is not seen as an integral part of DARD but as a separate project.

The solution to overcome this is to work towards SWAP or accept the Vietnamese approach and procedures for project implementation. This would enable the Province to better plan and recruit adequate numbers of qualified staff to implement projects. Furthermore, in the future, appropriate procedures should be set and agreed at the provincial level for the project administration and management. The DARD's plan to establish a PMU for all projects is a welcomed improvement.

During Phase I, the VNFIFOR had adequate numbers of qualified staff – although all contracted. Adequate here means in relation to the scope and activities (15 villages). Towards the phasing-out, the Programme became heavily under-resourced as for staff. As compared to the staffing situation 1.1.2001 and earlier, the Programme staff at the end of the Programme was six persons less. Out of the contracted Programme staff, three key staff members resigned in 2001 and no new staff was contracted. Two permanent staff members worked part-time for the Programme at the end of Phase II.

In Phase I, the bulk of the allowances and salaries were paid from the Finnish contribution. The same applies for the two first years of Phase II. In a move to implement the Phasing-out Strategy, the responsibility for paying the allowances and salaries, was taken by Gov. The shift was effected beginning of 2001. In 2002 and again in 2003 the implementation was hampered by the very late approval of the local contribution budget. In 2002, due to the late approval of the local budget, major planned items were not financed, e.g. approximately 500 MVND for implementation of forestry plans. If the regulations concerning the calculation and allocation of local contribution budget are applied, the Implementing Agency will have difficulty for receiving large ODA projects

Financial, technical and physical conditions for the implementation of the Programme

The delivery of funds for the implementation has been satisfactory until 2002. In Phase I the level of disbursement reached 90 % for both GOV and GOF funds. Since 2002 there has been delays in the project budget approval concerning GOV funds. The implementation has not at any point of time been hampered by lack of funds from Finland.

The Vietnamese planning system is based on the use of cost norms. For any major activity, specific cost norms apply. The cost norms usually stipulate also administration and management costs related to implementation of works. These costs are born by the GOV. The procedure for submission and approval of any expenditure for the implementation of any activity takes a long time and has to be passed by many offices and this has delayed the implementation.

The Programme has had good physical facilities for the implementation.

Technical and technological aspects

It appears that the level of technical skills of the staff of the collaborating organisations is good in silviculture, agro-forestry, animal husbandry, and also extension and communication. On the other hand the knowledge and skills in economics, financial planning, marketing, and management have been less satisfactory. This has made it difficult for the Programme to assign local institutions to carry out training in these areas. The educational background is not sufficient to transfer these skill and knowledge during short training courses.

Even after 7 years of implementation, the staff perceives calculations and computations related to farm planning, small feasibility studies, credit scheme, and forest management planning as difficult.

Programme/project monitoring and evaluation

While the farmers and village and commune staff have a great ability for organising, planning and implementing activities, their ability/willingness to record and monitor activities is limited. The VNFIFOR developed during Phase I a monitoring system, which incorporated all activities at farm level and aggregates to village level. Data collection and entry was solely done by the Programme staff.

In the beginning of Phase II, a new village level monitoring system was designed with a purpose to involve farmers and villages into monitoring. The system was designed by a prominent Vietnamese expert. Unfortunately, like in many other cases, the system was too complicated including too many forms to be filled in. Therefore, it was never taken into full use.

Since monitoring – and reporting as well – seems to be a difficult discipline at all levels, the only viable solution has been to compile the monitoring data from various sources, supplemented by data collected through questionnaires submitted to each village. Even at the provincial department level, there is no culture for routine data recording, no ready tools for data recording, and obviously no other clients for data than the projects. Much of the existing data is presented in such form that it is not manageable. The data and document administration and management would be a theme for a specific project.

Differences in Programme implementation procedures between the Vietnamese side and the Donor side

There are some major differences in the project preparation procedures of Vietnam and Finland. The fundamental difference is that the Vietnamese side sees an ODA project as a means to finance planned works and activities. The Vietnamese side considers that training provided during the Programme will benefit the country but maybe not as much the Implementing Agency as expected. In fact, the Vietnamese approach is an orthodox project approach: projects have very concrete objectives, projects have their own staff employed for the duration of the project, and projects have their own budget.

Logical Framework Analysis (LFA), which is a mandatory tool in the Finnish project design process, has remained a foreign method for the Vietnamese side. This is partly due to the fact that in Phase I a logical framework was not developed, and the Phase II LF was developed on the basis of not the analysis but statements provided by the Vietnamese side. Further, the final LF was only developed after the Mid-Term Review. Therefore, LF has been applied in monitoring the progress since 2001 onwards.

The Finnish approach to implement a project is straightforward: operational plans (work plans) are derived from the PD, the work plans are approved by the Supervisory Board (Steering Committee), and then it is assumed that the implementing agency(s) start implementing. In practice, as seen over the years, the lower level implementing agencies have not been able or dared to start implementing the plans prior to written approval from the Programme for each specific activity. This has effectively slowed the implementation and resulted in a massive amount of letters translated from the original language to English and vice versa. It has been a difficult task to encourage the Districts to make decisions independently.

4. Analysis of socio-economic effectiveness/benefits of the Programme

4.1 Relevance

The design of the Programme in Phase I and II has either accidentally or through a vision managed to respond already before its existence to the GoVs Comprehensive Poverty Reduction and Growth Strategy (CPRGS) that was adopted in mid 2002.

The CPRGS can be interpreted in many ways. However, it gives a clear account of the attributes of poverty in Vietnam. According to the CPRGS, the following factors explain poverty:

- Limited and poor resources – there is a vicious circle of poverty and limited resources
- Low level of education and insufficient and unstable employment
- The poor are not given sufficient access to the law,
- Demography driven causes
- Risk of high vulnerability to natural disasters and other risks
- Gender inequality negatively impacts the lives of women and children
- Disease/morbidity and poor health are pushing people into deep poverty
- The impact of macro-economic policies and reform policies on poverty

The first bullet point can be interpreted to include the production factors: land, labour, and capital. In VNFIFOR objectives these have been expressed in terms of “access to land, training, financing, and sustainable extension services”.

Since 1995, also the 5MHRP has emerged. Already from the onset, the VNFIFOR was geared to contribute to the policy development in forestry. Although the 5MHRP has its financial instrument, the 661 Programme, there is even after the VNFIFOR scope for other measures. The 661 Programme does not cover the critical villages: remote in terms of access to roads, forestry and land use practiced by farmers who have not been allocated forest land, i.e. those who have not yet permanent resident status. These are the poorest farmers and villages in Bac Kan.

Therefore, it can be confirmed that The Programme has been very relevant. There is still a great need to reduce rural poverty and improve environmental conditions, managing and using natural resources in a sustainable way. To this end there is a continued need to strengthen the extension organisation and assist in the creation of local employment opportunities.

As for the beneficiary needs, the VNFIFOR has been profoundly relevant. The Programme carried out a Poverty Survey January – March 2002 covering all the Programme villages. The survey results further confirm the relevancy of the Programme objectives. The survey was carried out as interviews with farmers. The total of 3900 interviews was conducted. Out of the total number of households, 1700 are classified as poor or poor and hungry. The farmers confirm that the following needs are still there:

- Technical training in agriculture, animal husbandry, and forestry
- Micro-credit
- Construction of Irrigation works

Technical training in specific techniques is highly relevant to farmers. Therefore, the extension system must be manned with skilled extensionists and really be able to provide the *skills and knowledge*.

4.2 Impacts or expected impacts as a result of the completed Programme (Effectiveness)

If the effectiveness of the Programme is studied against the original Programme Purpose, it can be confirmed that the Programme Results produced, have lead to the achievement of the Programme Purpose. However, the original Programme purpose is a loose statement and the Programme revised it later to read:

Programme Purpose: By the end of the Phase II, poor and hungry households of Programme communes have access to financing, training, forestland, markets and sustained extension support, and are able to generate income with available production factors.

The Programme has benefited the poor and hungry households. The results achieved by the end of the VNFINFOR, indicate that the Programme purpose is achieved to 80%. The farmers have now the red book status, user rights for 50 years of the forest land, all the poor and hungry households have access to financing, and farmers are able to generate better income with ownership of forest land, financing, and the new technologies provided. During the Programme anyone who wanted to have training had the access. After the Programme, the Province will continue providing training to farmers within the financial resources available making use of the acquired staff capabilities.

The Programme did not fully achieve the improved marketing and processing objectives. Therefore, the province needs to further develop processing industry and marketing in forestry, and agricultural processing. Since the Province still lacks processing industry for primary products from farmers, the province needs to further encourage and provide support to small-scale processing. For agricultural products, the farmers have better access to markets through training of interest groups.

Using the indicators, the assessment of the rate of the achievement of the Programme purpose remains low in some areas, especially the extension. The final results – models that could be adopted for Provincial standards have not all been fully completed.

Formal approvals for developed guidelines are pending. *In order to have the desired impacts, the Province needs to further develop policies for sustainable development in forestry and agriculture in connection with the FSSP.* Without a formal approval of the various guidelines and models (including technical descriptions), and supporting provincial policies, the wider impacts from the Programme will not necessarily be realised.

The Programme environment at large, is changing rapidly in Bac Kan. Population has started to move from the remote villages to the roadsides, or the roads are coming to the people. This brings the forests closer to the markets, and increases the cash inflow to the villages. The Programme produced results, such SMF Planning models, processing models and feasibility studies, which can and should be applied in further planning of forest and other processing industry. In other words, the markets should be brought closer to the primary producers. This means establishment of local, high quality wood processing industry. This would ensure that the cash inflows are regular, and the source of non-farm income.

4.3 Compatibility and Sustainability of the Programme

Reduction of poverty

The VNFINFOR, although not designed as a poverty reduction Programme, evolved over the years to a poverty reduction Programme. The problem analysis in the beginning of Phase II, left not option but to determine the relative and absolute poverty as the core problem. Programme's primary target group has been the poor farmers from the very beginning. The province is the poorest in Vietnam. In the Programme area majority of the population belongs to ethnic minorities.

Programme indicators were developed accordingly. Poverty and its determinants have been included in the indicators. For each main result and corresponding activity – financing, training, model – the monitoring data has been processed by poverty category.

The critical components from the start of Phase I have been Credit and Farmer Training. The Programme has developed specific regulations for the Credit Scheme and Training, which rather categorically state that the poorest are privileged.

Protection of environment

The VNFINFOR has produced a number of Guidelines, which cover sustainable forest management, land use planning, agro-forestry, and sloping land agriculture and extension delivery. All these together form a good source of information base, which can be applied by local authorities and farmers. However, only the land use planning guidelines have been officially approved. The Guidelines now form part of the provincial policies.

It is apparent that the local farmers and authorities are aware of environmental problems, and they identify soil erosion as the main problem. Land use planning and forest management planning combined with specific guidelines on sloping land cultivation can curb the soil erosion. The VNFINFOR produced clear guidelines and training materials to deal with these critical issues. Training in both Phases was also provided.

Promotion of human rights and democracy

Since the issuance of the GOV Grass-root Democracy strategy, the Programme has taken its recommendations into regard in planning of activities. Prior to the Strategy, participatory processes were applied in all planning to supports this goal.

The main collaborating partners in delivering the results have been the local mass-organisations, Women's Union and Farmers Union. The mass-organisations have been exposed to the strategic goals of the Finnish development cooperation. The mass-organisations are also responsible for informing the public on the GOV strategies.

The Programme has translated and distributed the latest GOF guidelines and strategy papers on Good Governance and Anti-corruption measures to local leaders. An attempt has been made to include relevant parts in the Programme Regulations.

Promotion of gender equality

No formal gender analysis was made either in Phase I or in Phase II. In Phase I the Programme carried out a study on gender issues, based on which a gender strategy was prepared. This strategy was carried forward to Phase II. Gender issues were considered during the planning phases of Phase I and II. Gender issues were reviewed by the independent mid-term evaluations in both phases.

The Programme has not dealt with human rights or political issues related to gender.

Good governance

The Programme prepared its Phasing –out Strategy in April 2002, one and half year before its completion. The Phasing-out Strategy described the necessary steps to transfer the full ownership to the Vietnamese implementing agency, including a clear time-schedule. The date for the Programme termination was specified, and was known to all stakeholders.

The handing-over procedures were commenced as specified in the Phasing-out Strategy, and the last approved Work Plan.

In order to improve the sense of ownership the MFA proposed, based on the analysis by the Programme on formats and contents of the Completion Report that the Vietnamese format incorporating the Finnish requirements should apply. The Programme Steering Committee decided as proposed by MFA.

The Programme completed the procedures for delivering the assets as scheduled, end of June 2003, three months prior to the termination. There were no irregularities concerning the assets and no undue competition for the assets.

A remarkably strong point in the Vietnamese system for managing investments, e.g. funds and forestry planting schemes, is that the officer/person who was in charge of the delivery, is hold responsible for 10 years after the completion, and the records shall be kept secure during the same period. This offers a good chance for the GOF to carry out an ex-post evaluation on the following major investments:

- Credit Scheme (300.000 EUR)
- Grant Financing for Forestry Activities (100 hectares/30.000EUR)

It is not known if the GOV or GOF has funds or plans for an ex-post evaluation.

Policy and legal environments for the reception and utilization of ODA

As appraised by all international donors, the Vietnamese policy framework fully supports interventions in rural development, poverty alleviation and forestry in particular. The GOV continues implementing programmes, which are related to the VNFINFOR areas of activities.

The VNFINFOR, since its launch in 1995 has been guided by a number of policies and Government of Vietnam decisions on forestry and rural development. The main policies affecting the Programme implementation have included the following:

- Decree 29 on Grass Root Democracy
- Decree 133/1998 National Target Programme for Hunger Eradication and Poverty Reduction
- Land policy
- Gender policies
- 5 Million Hectare Reforestation Programme (661)
- Forest Sector Support Programme (FSSP)
- Bac Kan forestry sector strategy (1988)

The design of the Programme in Phase I and II has matched the GoVs Comprehensive Poverty Reduction and Growth Strategy (CPRGS) that was adopted in mid 2002.

The 661 Programme policy has been applied to forestry financing in the Programme, although all the Programme communes fall out of its scope. None of the communes are eligible for financing from 661 mechanism. Anyhow, 661 mechanism has given clear guidelines for the implementation.

The hierarchy of regulations concerning the implementation of projects should be clarified. Particularly, the role of provincial regulations issued on staffing, accounting, PMUs, monitoring etc.. versus national “harmonised” regulations and decrees, and project agreements, should be addressed. There has been cases of contradictory regulations. In some cases the, the Provincial regulations given to the Programme have been irrelevant and in some cases outdated. In such cases the Chief Technical Adviser has categorically refused to comply. The work on “harmonising” the ODA procedures shall be continued in Vietnam based on experiences and lessons learned.

As for the necessary provincial decisions and regulations, the Provincial People’s Committee has duly fulfilled its obligations, and promptly issued such decisions. However, there is a need to somehow reduce the bureaucracy to improve the capacity to receive ODA.

The question is really if the provincial policies and action plans adopt the introduced methods, and techniques. The hidden agenda for policies is of more serious consequences. It has become obvious – VNFINFOR not excluded – that most of the projects have an approach to pilot, test, create models, trial, and deliver results, which benefit only a limited number of people. The tested models and piloted activities are not converted to policies and based on policies, expanded to cover larger entities, e.g. whole province. The concept of “total implementation” should be encouraged instead of creating more piloting and modelling activities.

Development of local institutional capacity

The critical problems from the farmers’ point of view have been and still remain after the VNFINFOR, their difficulty to get access to the resources provided by projects including VNFINFOR. The same can

be expressed the other way round. District, province, and commune level organisations involved in the VNFINFOR have difficulties to provide effective support to farmers. The main reasons for this are:

- competence for effective management, planning and support
- resources and incentives,
- the availability and functioning of information systems
- ineffective and sometimes unclear, outdated and inappropriate regulations/policies and guidelines

The problems are also closely linked to the complexity of organisations dealing with the delivery of extension services, financial services and information to the farmers. The organisations are overlapping and parallel to certain extent.

The VNFINFOR has worked since its initiation with many local organisations. The main collaborators have been MARD, ISG, People's Committees, DARD Bac Kan, DARDs, State Forest Enterprises, Forest Protection Department, Agricultural Service Company, Seed Company, Women's Union, Vietnam Bank for Poor, Cadastral Office, Thai Nguyen University, other projects, and first of all, the great individuals – the farmers.

Since the Credit Scheme is the biggest single investment item of VNFINFOR, efforts were made to make the Scheme sustainable. Due to the very late final decision and bearing in mind the lessons learned from Phase I Scheme, it cannot be fully confirmed that the organisational capacity is there. The Credit Scheme Operators – District Women's Unions of Cho Don and Ba Be – have little experience in operating independently. This is partly due to the heritage of the centrally planned system. The VNFINFOR has encouraged the WU's to make independent decisions, but time ran out for thorough institutional development. The Programme and MTR proposed continuation of the Credit Component as a separate project. This was not approved.

Strengthening of local human resources

Since the beginning the approach has been to contract staff from various local organisations to work on a full-time basis in the Programme. At the end of the VNFINFOR the situation is that only one staff member will continue working in the same capacity as during the Programme. The "Restructuring for the permanent Government Employees working full-time for ODA funded projects and Programmes", effectively undermines the capacity building component and does not provide for sustainability. It can be argued that the staff that received training, will continue working in the Province in some capacity. However, it cannot be confirmed.

The Vietnamese side considers that training provided during the Programme will benefit the country but maybe not as much the Implementing Agency as expected

Economic/financial soundness

Although, the Programme prepared several economic and financial studies and calculations in Phase I, the studies have little relevance at the end of the Programme. The whole Programme environment has changed dramatically. Therefore, the economic and financial soundness is here assessed based on the analyses made in the latter part of Phase II (2002 and 2003).

Economic soundness: Bac Kan is still the poorest province in Vietnam. The Province is no less dependent on central level financing including ODA, and subsidies than it was in 1997. More than 90 % of the provincial budget is covered from the central level budget. . As for the Credit Scheme, since June 2003, financial institutions have more freedom to decide the interest rate.

Financial soundness: Land use planning has been institutionalised with the support from the Programme. The land allocation applying the new guidelines could be now completed to the Red Book level in the whole province. However, the Cadastral Office which belongs to the central level Land Management Department, need a paying client to be able to carry out the work. The province does not have such financial resources. The said guidelines include revised cost norms for LUPLA.

The Extension system is still under review. The system proposed by the Programme is roughly based on 2 district extensionists, 2 commune extensionists, and 1 village extensionist in each of the villages.

The total number of districts is 8, communes in the districts 122, and villages in communes more than 1700. Based on these figures and applying the current average compensation rates (salary + allowances) the total cost of the proposed extension system would be 2,807,040,000 VND/ 165,000 EUR per annum. This includes transport estimated based on experience gained during the Programme but excludes training materials, fees for external tutors, stationary etc.. The system is by no means unaffordable. In order to put the annual financial need in to a perspective, it can be compared to the annual GOV contribution to the VNFINFOFOR implementation – 1,200,000,000 VND/80.000EUR. The Province should be able to finance such system. However, the restructuring policy makes this impossible. The other alternative is that the farmers pay for the service. However, it must be noted that the various laws and strategies put the responsibility of forests, lands, agriculture, and overall rural development on the *communes!* *Where do the communes obtain financing to implement the required services?*

The Credit Scheme financial sustainability was calculated several times after the Phasing-out strategy was approved. Prior to that the financial sustainability was overlooked and efforts were concentrated on disbursing as much loans as possible. The Credit Scheme regulations, as they are at the end of the Programme, guarantee the financial sustainability. The operators – Women's Unions - will under any circumstances at least break even. The real value of the fund will not be reduced if the inflation remains at 2 %/annum, and if the bad loan rate is less than 8 % of the total portfolio. The calculations include an allowance for incentives to the commune, village and Women's' Union staff. No fixed sharing of the collected interest is specified in order to encourage maximum level of disbursement. At the same time, the regulations make sure that loans are not imposed to the farmers (lesson learned from Phase I).

Marketing and processing is yet another area which is still under development. MARD is in the process of bringing the DARDs in the provinces under the marketing information umbrella. During the Programme several systems for collecting, recording and processing market information were introduced. None of these are on paper too costly for DARD to adopt. The problem is that all computer based solutions become unfeasible as long as there is not enough skills in the use of computers. The assessment here is that the market information systems developed would be financially sustainable provided that there is competent staff.

Suitability to local socio-cultural context

Guiding farmers work in interest groups for agriculture and forestry production is the core of community encouragement, the mutual affection, the cooperation among farmers in production

activities, which is highly compatible to the co-operative development policy of Vietnam. The fact that the Programme met no resistance from target beneficiaries, indicates its suitability in relation to socio-cultural setting in the villages.

Participation of women and men

The gender equality has been applied in the training events. In phase II 55% of the participants were women, while in Phase I it was 32 %. Gender training courses for village leaders and extensionists have been an integral part of the Programme activities. In the interim phases of the credit scheme the WU provided for women only. WUs who are after the Programme the sole operator, amended the regulations to include a clause to provide loans for both genders.

From the very beginning the Programme collected and processed data by gender, and by poverty category and by ethnic minority. The monitoring of culture and gender impacts of the Programme was done systematically in the Credit Scheme but not in other components. The impacts were assessed by carrying out interviews and open ended and structured questionnaires at the end of the Programme. However, the picture remains unclear. The monitoring has been the problem area in both Phases.

There are no Programme assumptions in the PD for either Phase for gender. The gender issues were discussed under sustainability. For Phase II the statements are particularly broad and do not reflect the current understanding of gender issues. Therefore, it is difficult to compare the end of Programme situation to the pre-Programme situation. The general guidance given in Phase II PD is that the gender issues are to be taken more into consideration, women are to benefit separately from training and study tours, and credit opportunities.

The best assessment on the gender issues, was given by a farmer during the impact monitoring in the villages. "One needs to involve one's wife in forest management planning and decision making. This is simply because of the fact that you need your wife to help in the work, and if she has not participated in the decision, she simply refuses to work!"

Participation of local stakeholders

An essential element of the success for the Programme has been the active participation of different stakeholders, through their individual or collective contributions. Villagers' participation is considered the most important factor that made the Programme manageable, and will contribute to the sustainability. The VNFINFOR has encouraged the farmers to question, and demand services, especially training and financing.

The following policies were applied with regard to participation and ownership:

1. Through information dissemination and village meetings, clarify rights and responsibilities for areas of forest land that will be managed by families, local resource user groups or communities;
2. Villages and families responsible for developing and monitoring their own Village and Household Development Plans;
3. Credit Groups on Commune and village levels responsible for taken credits;
4. Clear responsibilities defined within and between the management teams;
5. A financial management system that ensures ownership and responsibility with regard to the Vietnamese contribution and relevant parts of the Finnish contribution;

6. Allocation of budgets and financial management responsibilities down to District level, and, in cases possible, to Commune level;
7. Encourage planning and monitoring procedures from village level up;
8. Information dissemination, transparency and formal rights of all people in the area to access information, including plans, responsibilities and financial information;
9. Implement the Programme in line with the Grass-root Democracy policies of the Vietnamese Government (6th Programme strategy).

All stakeholders were informed of what steps are being taken to phase out the Programme support late 2002 in connection with the work planning. No particular measures were taken to safeguard the interests of marginal groups during and after Programme completion. The reason for this is that all groups in Bac Kan can be considered marginal. As pointed out elsewhere in this report, the decision-making system in the villages is rather democratic.

The rights and responsibilities of the villages and communes were respected in the final stages of the Programme. The commune representatives participated in the final evaluation workshop. The fixed assets, which were in the use of the Programme communes will remain the property of the communes and benefit all villages. These include motorbikes, buildings, books in the libraries, and an ample supply of stationery procured in 2003.

The decision-making concerning the loans from the Credit Scheme will remain in the hands of the Village Credit Groups according to the final approved regulations. The Village Credit Groups determine the demand, and prepare the list of borrowers. The operator – Women's Union – can only screen the eligibility of the borrowers but cannot decide on any other grounds.

Impacts on environment

A GOV Degree to establish a Department for Environment & Natural Resources has been issued. It is expected that this will be established in 2003. The role of the new department will be to coordinate all actions. It is expected that some of the guidelines produced by VNFIFOR will be considered by the new department, and will ultimately form part of the environmental guidelines. The VNFIFOR collaborated with the Department of Science, and reviewed the environmental legislative framework concerning especially forest industry development, and EIA requirements. The new department will benefit from the material produced during the Programme.

GOF/GOV did not carry out an EIA during the preparatory phase of this particular project. However, in this project mapping of environmental aspects has been carried out during the implementation of Phase II, and based on this monitoring and reporting regularly these aspects.

It is foreseen, that in the short term, there are and will be increasing problems related to traffic, waste treatment, environmental awareness/general law obedience, bush meat, use of natural resources. The fact is that the province is poor. 90% of the provincial income is from government including ODA. The economic returns are more important than environmental protection.

Appropriateness of technology

The Programme did not introduce any particularly sophisticated technology. The most inappropriate investments have been the GIS & Mapping tools procured in Phase I, and the Server technology for Market Information in Phase II. The GIS + mapping were clearly a premature investment, and were never used after Phase I for the simple reason that there was no users. The server technology for sharing and making the market information and the demonstration data failed in the aftermath of the “BugBear”. It became evident that the DARD/PEC will not be able to maintain the server and keep the firewall.

The Programme procured a number of PCs and LapTops. Even this may become an unsustainable investment, unless the organisations are able to employ someone who will support the staff. More training in the use of computers is still needed.

On the other hand, reliable data and its efficient manipulation/processing is essential in targeting the inputs to the correct purposes, and monitoring the implementation. Without computers, the data remains as unmanageable as it has been from the beginning of the Programme.

III. Lessons learned from the Programme

1. Lessons Learned

After 7 years of the Programme operation, we have learned some lessons from the Programme, from the preparation, tendering, coordination between both parties, and aspects of human resource management, training, and development.

Programme preparation

In both Phases of VNFINFOR the project preparation was carried out applying participatory approach. This is highly commendable. However, in the process of compiling the outcome from the participatory process and incorporating this information to the Finnish model Programme Document, some confusion has occurred. The main reason is the unfamiliar concepts (at that time) used in the Finnish system.

It should be noted that the planning teams should include highly qualified members from both partner countries, be able to carry out a thorough analysis, and be able to understand and guide both parties in accommodating the requirements from both sides in to the PD. This means that the planning team should not only fulfil the requirements set in the project planning guidelines but also guide the process.

The failure to understand the concepts used by either side shall be avoided. A planning team shall include the best possible interpreter/translator who will be familiarised on the concepts and terms applied in the planning. The concepts that have remained unclear and foreign to the project owner of VNFINFOR are almost all forestry terms, monetary, financial, economic terms, and most importantly, the concepts like project owner/ownership/democracy/equality. In addition, the difference between fund and financing has caused problems in the implementation.

The following specific issues should be considered in project planning and be included with clear guidelines for the implementing agency already in the PD. Many problems in the implementation of VNFINFOR have arisen from these issues because they were not clearly agreed upon prior to the implementation. These points should be incorporated in the PD and the Project Agreement.

1. Accounting and cost control system: The basis for the project accounting and cost control system is the project budget included in the PD. It is advisable that it is drawn and prepared so that the budget takes into consideration both the Vietnamese and the Finnish financial reporting needs. In VNFINFOR Programme some problems have arisen from the fact that the Programme (supporting consultant) has developed its accounting and cost control system in both Phases based solely on the reporting needs by the MFA.

2. It is very difficult for the Vietnamese side – the project implementing agency – to operate and implement anything unless an explicit decision/degree/circular is issued to regulate the task concerned. Therefore, the accounting and cost control system should be based on one of these or alternatively on the Project Agreement between the countries. The regulatory basis must be specified – including and appropriate code of the regulation – in one of the documents concerning a project.
3. The harmonisation of ODA procedures is very much welcomed. At the moment, the Vietnamese accounting and cost control system cannot produce accurate and detailed enough monitoring data to meet the requirements of MFA. Attempts were made to "harmonise" the systems in VNFIFOR Programme but there was no agreement on which of the many Vietnamese regulations should be applied.
4. A project to the Vietnamese side is a legal entity, which is formally established. The way to deal with this is that in the PD the Project Management Unit is specified, and its function and responsibilities (TOR) are specified. Further the PD and/or Project Agreement should clearly specify when, and by whom it should be established. In VNFIFOR this has not been done, which has led to problems with e.g. VAT refunds. The VNFIFOR simply lacks this full legal basis.
5. The Vietnamese entities have a seal. Without a seal, no official document can be issued. In VNFIFOR the seal was applied and given in the name of "Steering Committee". This caused problems in the establishment of the Programme Management Board. This could not be established officially because there cannot be two seals for one project.

Bidding processes

The invitations for bids was solely handled by the MFA. The Vietnamese side participated in the bid evaluation for both Phases. The bidding process in both cases was transparent and satisfactory. MFA should, however, clarify the tendering process to the Vietnamese side, especially the evaluators. Implementation solution in tenders should be very clear.

Implementation of the Programme

The target beneficiaries – farmers and their communities – have proven to be the greatest asset of the VNFIFOR from the beginning of Phase I to the end of Phase II. The farmers have fully cooperated with the Programme and implemented their part to the best they have been able. The village and commune leaders have always shown great interest to the VNFIFOR and complied with even the not so good decisions made by the VNFIFOR Programme.

The existing high level of organisation at village level has made it possible to the VNFIFOR to introduce the Programme component activities in a very concentrated way. This has led to cost effective implementation. The villages and farmers through "interest groups" have themselves taken the responsibility to organise the field level activities in many cases. Through the village groups the VNFIFOR has delivered

- farmer training
- credit scheme
- forest management planning
- marketing and processing
- financing of free seedlings

The villages and communes have participated in the work planning, although after the Phase II Mid-Term Review it was necessary for the provincial level to revert to a more centrally planned system in order to secure the results.

The work on “harmonising” the ODA procedures shall be continued in Vietnam based on experiences and lessons learned. The hierarchy of regulations concerning the implementation of projects should be clarified. Particularly, the role of provincial regulations issued on staffing, accounting, PMUs, monitoring etc.. versus national “harmonised” regulations and decrees, and project agreements, should be addressed.

Since the monitoring seems to be a problem area, a *core set of development indicators* for each sector – e.g. forestry, rural development – should be developed. Based on the core set of indicators, it would be easier for project implementing agencies to develop *specific sets of indicators* for project monitoring. The core indicators can be converted to uniform parameters, which will be used to collect, record and analyse project data. This would facilitate a better monitoring of all projects. The parameters sets should always be Vietnamese/English. It is nearly impossible to work with data if it is not in two languages from the very beginning.

Lack of data, data being inaccessible or data not being in a manageable form, is many times a real problem in projects. In many cases key decisions concerning the implementation of projects are based on opinions rather than facts, which are based on accurate data.

Therefore, the MARD project on IT Development and Application strategies (VIE/98/004) is very much welcomed, and should receive adequate attention in all project planning and preparation but especially in forestry, agriculture and rural development. This is also related to the development of the sets of indicators.

Management aspects, personnel training, and human resources development

The solution to overcome uncoordinated implementation, meaning different procedures for the GOF and GOV part of financing, is to work towards SWAP or to accept the Vietnamese approach and procedures for project implementation. This would enable the Province to better plan and recruit adequate numbers of qualified staff to implement projects. Furthermore, in the future appropriate procedures should be set and agreed at the provincial level for the project administration and management. The DARD’s plan to establish a PMU for all projects is a welcomed improvement.

In spite of the difficulties related to the organisation and the Programme structures, the Programme management has been satisfactory. The lessons to be learned are self-explanatory.

The organisation must be clear, and based on either the existing structures or a structure created for the project alone. In VNFINFOR the organisation structure has been a mixture of both. The problems arising from the organisation have been discussed under the Chapter “Factor affecting the” and are not repeated here.

Secondly, owing to the normally huge workload of departmental directors, nominating a departmental director as the Programme Director should be avoided. If the Programme Director has other duties, the Programme work easily becomes secondary. This means that the Programme lacks one person. If it is

desired, a departmental director shall sit in the Programme Management Board and Steering Committee.

Establishment of a PMU would solve many of these problems. However, the PD should still clearly specify the Terms of Reference and the number of staff to be engaged in the project full-time, part-time and their qualifications. This should be a binding agreement.

The Programme was successful in creating clear Management Regulations right in the beginning. These were carried forward to Phase II. The lesson to be learned is that such clear regulations and principles should be the first task for any project to complete. It saves a lot of time. These regulations should specifically address the allowance policy, unless it is stipulated in the PD/project agreement. In order to make it clear, it would be best if the PD and the project agreement stated in clear terms that the EU Guidelines are applied. If this is not mentioned in the PD and agreement, it leaves room for the implementing agency and supporting consultant to negotiate, which is not the desired situation.

Performance of the competent authorities of the Programme

The Agreements entered into between the *Government of Finland* and the *Government of the Socialist Republic of Vietnam* signed on 20 May 1996, relating to the Phase I, and the Agreement signed on 23 September 1999 relating to the Phase II of *Vietnam – Finland Forestry Sector Cooperation Programme*, form the legal basis for the implementation. The said agreements specify that the competent parties for the implementation of the VNFINFOR are:

- Ministry for Agriculture and Rural Development, Vietnam, Hanoi
- People's Committee of Bac Kan Province, Bac Kan
- Ministry for Foreign Affairs, Helsinki, Finland represented by the Embassy of Finland in Hanoi

It was further stipulated that the Project Owner is the People's Committee of Bac Kan Province, Bac Kan (initially Bac Thai) representing the Vietnamese side in substance matters.

In assessing the performance of the competent authorities of VNFINFOR, several facts must be recognised. VNFINFOR has been a learning process for all parties: MFA, Embassy of Finland, MARD, and particularly for the People's Committee of Bac Kan (Bac Thai). The Programme was identified at very high political level in 1995. Prior to this Programme the parties did not have any experience of cooperation. Since 1995, Vietnam as a country has undergone huge changes, which have had an impact on national and provincial organisations. In addition, since 1995, the cooperation between the countries has increased, which has put a heavy burden on the Embassy of Finland staff. It is evident that the competent authorities have not had enough time and resources to fully familiarise themselves with the Programme. The contacts between the competent authorities have been limited to the Steering Committee meetings. Open discussion between the parties to clarify issues and to improve the relationships has been missing. This has led to some misunderstandings and delayed slightly the implementation. Specifically, it must be noted that the parties have several times failed to agree on the dates for the Steering Committee meetings, and thus some critical meetings have not materialised. Towards the end of the Programme, there has been much improvement.

Fulfilment of obligations and regulations stipulated in the intergovernmental agreement

Both parties have fulfilled the obligations set forth to their best. The financial obligations for Phase I was FIM 10 365 575 from the Finnish Government contribution and VND 3 364 366 000 from the Vietnamese Government contribution. By the end of the Phase I 91% of the Finnish contribution were disbursed and 89% of the Vietnamese Government contribution respectively. The financial obligations for Phase II was FIM 15.500.000 (2.606.912EUR) from the Finnish Government contribution and VND 6.310.000.000 from the Vietnamese Government contribution. By the end of the Phase II 99 % of the Finnish contribution were disbursed and x % of the Vietnamese Government contribution respectively.

The Vietnamese side has appointed capable and sufficient counterpart personnel for the Programme. However, it should be noted that the Vietnamese staff consist mainly of contracted staff, i.e. staff contracted to perform duties during the Programme period. The Vietnamese side has also engaged a number of permanent staff to carry out specific tasks in the implementation. As pointed out in the background information, the province still lacks human resources. Further, in the Vietnamese system staff rotation system is applied. It is not possible to guarantee always the availability of exactly the type and numbers required by a project.

2. Further analysis

The REFAS Project under MARD has developed a Forestry and poverty Map of Vietnam. This map combines the poverty data by communes and the forestry data. This is as a great development and its further development should be promoted. VNFINFOR has collected poverty data at village level, as well as through the LUPLA process forestry data at farm level. The data set are available in Excel- format, and can easily be map referenced. The data sets include map coordinates for villages and compartment/block/plot identification. Naturally, the data sets are also available and summarised to the commune level. Since the new Forestry and Poverty Map was introduced only in May 2003, its has not been possible for the Programme to make use of this facility and vice-versa contribute to the further development. However, it would make great sense to use the VNFINFOR data to test the facility even at village level.

The further development of the Forestry/Poverty Map would require standardisation of the input parameters collected by provinces and/or projects.

Since the poverty, land use, and training data collected and recorded by VNFINFOR are comprehensive, this data should be used to evaluate the impacts of the Programme after 5 and 10 years from the end of the Programme.

The poverty situation should be assessed after the Programme.

3. Need for further assistance

The DARD reiterates its request for further support. This was brought forward in the comments by DARD, to the VNFINFOR Mid – Term Review, but somehow these were not acknowledged.

The province of Bac Kan is predominantly mountainous with forests and forestland accounting for 87% of the province's total land area. None of this area is currently under good management, and there occur a large number of legal violations in forest exploitations and forestland uses. The concept of sustainable forest management is in practice unknown. The general awareness among the local people is still limited.

It is necessary to adopt a single definition and conceptual framework for sustainable forest management and restructure the existing organizations to be able to serve the needs in sustainable forest management.

It is necessary to continue somehow to apply the methods and guidelines developed under VNFINFOR Programme.

It is necessary to streamline the management of nature protection and conservation areas, and to develop monitoring and control of areas in line with or as a part of an overall forest and nature information system.

The social and economic pattern of the Province is mainly that of agriculture and forestry. More than 80% of the population subsists on incomes from agriculture and forest products. The natural forests and plantations currently occupy 50% of the total land area. Given the suitable soil and climatic conditions, forests will grow rapidly if put under good management. The target should be full coverage of sustainable forest management plans. In other words, all state forests and allocated forest should be brought under forest management plans. Sustainable forest management and monitoring and control as part of it, would contribute to large extent to preventing natural disasters not only in Bac Kan province but downstream, in other lowland provinces as well.

In working towards socio-economic objectives defined for the period from 2001 to 2010 in the province, it is required to implement the Programme on sustainable forest management including development of new forest resources.

Based on the above, it can be concluded that a comprehensive Programme on the development of institutions working in the forest and nature conservation field in Bac Kan is needed. The Programme can be divided in interlinking projects. The Programme or its parts are well suited to be included in the Forest Sector Support Programme.

Forestry projects calling for ODA funds from Finland and others resources:

1. Improving sustainable forest management of the protection and special forest system in Bac Kan.
2. Continuation of Phase III of Vietnam-Finland Forestry Sector Cooperation Programme in Ba Be district.
3. The expansion of Land use planning and land allocation activities in commune areas of the province.
4. Continuation of Phase II of Cao Bang-Bac Kan Rural Development Programme.
5. The Programme of Sustainable Forestry Management Regulation Development in Bac Kan 2003-2010.
- 5.1- Establishing the project on administrative reform of the managing system of forest protection from the province to villages.

5.2- Establishing the Programme on Forestry Information System in Bac Kan (under the direction of MARD).

5.3- Establishing the Programme on Planning and management of the nature reserves as:

- Ba Be National Park.
- Limestone mountainous areas in Kim Hy Na Ri.
- Mountainous areas in Tam Tao, Phuong Vien, Cho Don.
- The forest in Ban Thi, Cho Don.

6. Detailed planning project on Forestry Production Development in Bac Kan province.

- Defining land area, weather... in each area.
- Specifying forest plants for each area.

7. Implementation Project defined in the Feasibility Study on development of appropriate forest industry in Bac Kan.

8. Project on the organization of forestry and agriculture extension system in Bac Kan.

- Land Use Planning and Land Allocation in all areas of Bac Kan province.
- Planning of production areas for each crop plants.
- Protection and enrichment of forests.
- Developing the markets, defining the market demands for forestry products.
- Forestry products processing
- Forestry products marketing.
- Forest sector management system.