
President's report

Proposed loan

Socialist Republic of Viet Nam

**Climate Resilient and Inclusive Water Infrastructure
for Rural Smallholders in Thanh Hoa and Nghe An
Provinces Project**

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Action: The Executive Board is invited to approve the recommendation contained in paragraph 69.

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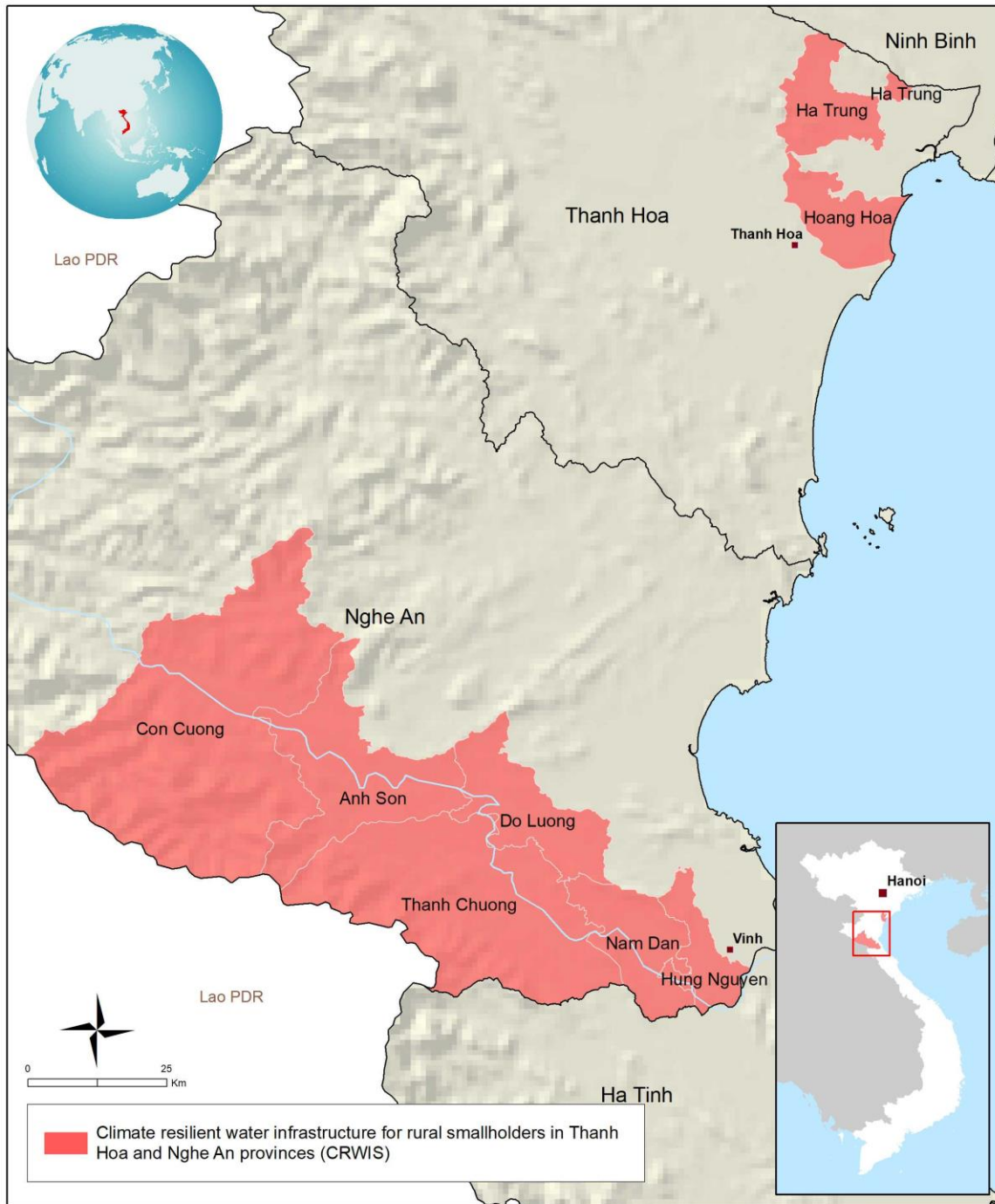
Contents

Map of the project area	ii
Financing summary	iii
I. Context	1
A. National context and rationale for IFAD involvement	1
B. Lessons learned	2
II. Project description	3
A. Objectives, geographical area of intervention and target groups	3
B. Components, outcomes and activities	3
C. Theory of change	4
D. Alignment, ownership and partnerships	4
E. Costs, benefits and financing	5
III. Risk management	10
A. Risks and mitigation measures	10
B. Environment and social category	10
C. Climate risk classification	10
D. Debt sustainability	10
IV. Implementation	11
A. Organizational framework	11
B. Planning, monitoring and evaluation, learning, knowledge management and communications	12
C. Implementation plans	12
V. Legal instruments and authority	13
VI. Recommendation	13
Appendices	
I. Negotiated financing agreement (to be shared with the Executive Board for information)	
II. Logical framework	
III. Integrated project risk matrix	

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Map of the project area



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 19-12-2023

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Socialist Republic of Viet Nam
Executing agency:	Provincial People's Committees of Thanh Hoa and Nghe An provinces
Total project cost:	US\$78.94 million: US\$34.54 million for Thanh Hoa province; and US\$44.4 million for Nghe An province
Amount of IFAD loan (BRAM):	US\$42.21 million: US\$18.81 million for Thanh Hoa province; and US\$23.40 million for Nghe An province
Terms of IFAD loan:	Ordinary terms, interest on the principal amount outstanding at a rate equal to the IFAD reference interest rate with variable spread and a maturity period of 25 years, including a grace period of 5 years.
Cofinancier:	Adaptation Fund
Amount of cofinancing:	US\$9.22 million: US\$4.58 million for Thanh Hoa province; and US\$4.64 million for Nghe An province
Terms of cofinancing:	Grant
Contribution of borrower/recipient:	US\$14.85 million: in cash US\$6.52 million for Thanh Hoa province and US\$8.17 million for Nghe An province; and in kind US\$77,000 for Thanh Hoa province and US\$77,000 for Nghe An province
Contribution of beneficiaries:	US\$2.26 million (in-kind contribution) US\$0.75 million for Thanh Hoa province and US\$1.51 million for Nghe An province
Financing gap:	US\$10.4 million
Amount of IFAD climate finance:	US\$39.453 million
Cooperating institution:	Directly supervised by IFAD

I. Context

A. National context and rationale for IFAD involvement

National context

1. **Political, economic and social context.** The Socialist Republic of Viet Nam has been a development success story. Economic and political reforms have spurred rapid economic growth and transformed Viet Nam from one of the world's poorest nations to a middle-income country in one generation. Politically, the Government plays a central role in economic planning and resource allocation. Economically, GDP per capita has increased 3.6 times in the last 20 years, reaching US\$3,700. The agriculture sector has supported economic growth and ensured food security. Agriculture contributed 13 per cent of GDP and 29 per cent of employment in 2021.
2. **Poverty.** Viet Nam has made remarkable progress in poverty reduction. The proportion of the population living below the national poverty line reached 4.3 per cent in 2022, down by over 70 per cent from 1993. In Thanh Hoa and Nghe An provinces, the poor and near-poor households in 2022 stood at 11.88 per cent and 12.62 per cent of the population respectively. Poor households rely on subsistence agriculture and informal sources of income for their livelihoods.
3. Vulnerabilities to climate change and external shocks are prevalent among households with a strong dependence on agriculture and with limited access to water infrastructure. External shocks due to natural disasters can push poor families deeper into poverty. There are approximately 300,000 smallholders in the targeted provinces who practice fragmented and less profitable agriculture.
4. **Food security and nutrition.** Food insecurity is not a major issue in Viet Nam. However, the stability of food production is challenged by droughts and floods. The provinces in the Climate Resilient and Inclusive Water Infrastructure for Rural Smallholders in Thanh Hoa and Nghe Ann Provinces Project (CRWIS) area already report a higher risk of yield loss for summer crops and a reduction in summer cropping area. Average yields for summer rice are reported to be lower by between 0.6 and 2.2 t/ha than winter rice in all target districts.
5. **National institutions.** While effective in implementing trade openness and social inclusion, Viet Nam has lagged in implementing green growth and upgrading infrastructure. The uneven development has left the country's institutions underprepared to address more complex development challenges.

Special aspects relating to IFAD's corporate mainstreaming priorities

6. In line with IFAD's mainstreaming commitments, the project has been validated as:
 - Including climate finance
 - Gender-transformational
 - Youth-sensitive
 - Including adaptive capacity
7. **Gender and social inclusion.** Viet Nam has made significant progress in promoting gender equality in all sectors underpinned by the Law on Gender Equality (2006) and the National Strategy for Gender Equality (2021–2030). Nevertheless, gender inequalities in agriculture are visible in decision-making structures and in access to resources, markets and extension services.
8. Rural Vietnamese women are vulnerable to climate change due to their greater concentration in the agricultural sector, particularly in subsistence production, and in the informal economy. This is manifested in rural women facing high risks of loss from water insecurity, with women in both targeted provinces reporting a 50 per cent decrease in annual rice productivity when droughts or floods occur. To

overcome these challenges, CRWIS will partner with the provincial women's unions to increase the socioeconomic empowerment of rural women in the project areas, setting an overall outreach target at 50 per cent women.

9. **Youth.** Youth account for 20.3 per cent and 21.5 per cent of the population in Nghe An and Thanh Hoa respectively. About a third of the youth in the targeted provinces were engaged in agriculture-related activities in 2022. Rural youth engaged in agriculture face multiple challenges, including insufficient capital and limited access to land. CRWIS will adopt a youth inclusive approach that focuses on their economic empowerment to address the challenges identified. It will support their profitable engagement in on-farm and off-farm activities and empower them as agents of change with a total project outreach of 20 per cent youth.
10. **Indigenous Peoples and marginalized groups.** The ethnic minorities of Viet Nam face several challenges, such as high rates of poverty and malnutrition. In 2022, ethnic minorities represented 16.2 per cent and 13.5 per cent of Thanh Hoa and Nghe An population respectively. In the project target area, only one ethnic group (Thai) is identified in Con Cuong district, Nghe An province.
11. **Climate change.** Viet Nam is vulnerable to floods, droughts and typhoons, and is influenced by the El Niño-Southern Oscillation phenomenon, which drives inter-annual rainfall and temperature variability. The main impacts of climate change in the target provinces are manifested through floods and unreliable water resources impacting agricultural productivity, hence the urgent need to upgrade water and flood protection infrastructure.

Rationale for IFAD involvement

12. The increasing intensity and frequency of climate shocks and the degradation of the natural resources upon which agriculture depends has highlighted the vulnerability of agricultural production. As a result, rural households are vulnerable to either fall back to poverty or be pushed into extreme poverty.
13. Through the proposed CRWIS project, IFAD is responding to the Government's request to support Thanh Hoa and Nghe An provinces in upgrading water infrastructure to underpin socioeconomic development and respond to climate change. Improved irrigation builds smallholder farmers' resilience to both climate and market shocks by providing them opportunities to expand their businesses, thus contributing to food security, poverty reduction and environmental sustainability.

B. Lessons learned

14. **Policies on official development assistance.** As Viet Nam has become a lower-middle-income country, the Government has put in place new policies on official development assistance financing that reflect the new situation. For instance, projects funded by international financial institutions can finance exclusively infrastructure-related works. Consequently, all other expenditures must be funded either by government cofinancing or from grant resources. This means that IFAD's engagement strategy in the country has evolved, requiring IFAD to (i) strengthen partnerships with national and provincial authorities and implementation partners; and (ii) secure grant cofinancing as a mandatory requirement for new projects.
15. **Private sector engagement.** IFAD-funded projects in Viet Nam have demonstrated the strong impact of the public-private-producer partnership (4P) approach for poverty reduction. In order to engage with small producers, the private sector requires, among others: (i) involvement in planning processes for public infrastructure; (ii) support on land allocation for producers and processors; and (iii) organization of producer groups.

16. **Effective climate change and disaster risk management requires:** (i) improving poor people's incomes, which contributes to building their adaptive capacity; (ii) using geospatial planning tools for informed investment decision-making that supports resilient livelihoods; (iii) enhancing irrigation systems capacities to flexibly cope with current weather variability; (iv) increasing investment in agricultural knowledge management and dissemination; and (v) incorporating climate change mitigation and adaptation measures into planning tools.

II. Project description

A. Objectives, geographical area of intervention and target groups

17. **Project goal and objective.** The project goal is to strengthen climate resilience and social inclusion of water-insecure rural communities for sustainable socioeconomic development in Thanh Hoa and Nghe An provinces. The project development objective is to catalyse climate-informed water management for irrigation and flood control through the rehabilitation of critical infrastructure, transform agricultural production and facilitate business linkages in Thanh Hoa and Nghe An provinces for climate-resilient, sustainable and profitable rural livelihoods.
18. **Geographical area of intervention.** The project targets the most climate-vulnerable communities in two districts (Ha Trung and Hoang Hoa) in Thanh Hoa province within the Ma River watershed, and six districts (Con Cuong, Anh Son, Do Luong, Thanh Chuong, Nam Dan and Hung Nguyen) in Nghe An province within the Lam River watershed.
19. **Target groups.** CRWIS will be implemented through a combination of geographical targeting and direct beneficiary targeting approaches aimed at the most climate-vulnerable communities. Additionally, other direct beneficiaries will include: (i) provincial and district public institutions; (ii) public and private service providers; and (iii) cooperatives, producer groups, water user groups and private actors involved in small-scale processing and marketing, giving priority to those managed by youth and women.

B. Components, outcomes and activities

20. The project will have the following components: (i) improved water availability and control through climate-resilient infrastructure development; (ii) integrated water management and climate-resilient agriculture; and (iii) project management and coordination.

Component 1: Improved water availability and control through climate-resilient infrastructure development. CRWIS will improve irrigation water availability and management for approximately 13,257 ha of agricultural land, and strengthen flood control and prevention for approximately 6,600 ha of agricultural and residential land. The rehabilitation of water management infrastructure is projected to directly benefit over 278,000 people in both provinces.

Component 2: Integrated water management and climate-resilient agriculture. CRWIS will support local authorities and water user groups to optimize and sustain productive use of water resources and infrastructure by providing enabling conditions for water use efficiency, increasing and stabilizing agricultural productivity, and strengthening farmers' resilience to climate shocks by scaling up knowledge about climate-smart agriculture; and will establish 4P platforms to facilitate business linkages and integration of smallholder farmers into agricultural value chains.

Component 3: Project management and coordination. All project management, monitoring and evaluation (M&E) and knowledge management

activities are grouped under this heading in the project cost tables and design documents.

C. Theory of change

21. CRWIS will address the underlying challenges hampering the socioeconomic development of water-insecure and climate-vulnerable rural communities, with particular attention to transforming unequal social norms affecting women and youth. Rehabilitation of critical water infrastructure will strengthen smallholders' capacity to adapt to climate risks as it will improve water availability and control, offering opportunities to diversify and increase production. By improving the capacity and coordination mechanisms of local institutions in integrated water management and strengthening resilience of smallholders' agricultural businesses, the project will improve livelihoods resilience. In addition, it will ensure the sustainability of the gains from the infrastructure investments, in terms of improved productivity and resilience through scaling up knowledge about climate-smart agriculture, and increase smallholder farmers' income from facilitated business linkages with the private sector supported by effective 4Ps.

D. Alignment, ownership and partnerships

22. **Alignment with the Sustainable Development Goals (SDGs).** CRWIS will contribute to various SDGs, including SDG 1, SDG 2, SDG 5, SDG 6, SDG 10 and SDG 13.
23. **Alignment with national priorities.** CRWIS is fully aligned with the Government's strategic goals as articulated in the Viet Nam Socio-Economic Development Strategy 2021–2030, and the Agriculture Restructuring Programme, in three key development areas: (i) enabling market-led rural development; (ii) advancing access by the poor to commodity and labour markets; and (iii) enhancement of rural poor capacity to adapt to climate change. Additionally, CRWIS provides the means to implement the Law on Gender Equality (2006), which empowers women in economic participation and decision-making, and the Youth Development Strategy (2021–2030), which promotes vocational training and employment.
24. **Alignment with IFAD policies and corporate priorities.** CRWIS is fully aligned with the three strategic objectives defined in the IFAD Strategic Framework 2016–2025. CRWIS also contributes to two of the three strategic objectives of the Viet Nam COSOP 2019–2025. CRWIS focuses on IFAD's mainstreaming agenda on gender, youth, Indigenous Peoples (i.e. ethnic minorities) and climate change resilience.
25. **Country and local ownership.** Ownership and commitment to project investments have traditionally been strong in Viet Nam, from national to province, district and commune levels. The CRWIS ownership will be decentralized to the province-level governments, namely the provincial people's committees of Thanh Hoa and Nghe An provinces (which are identified by the national regulation as investment owners of the project).
26. **Harmonization and partnerships.** CRWIS will collaborate closely with both national and international institutions: (i) National Coordination Office for the National Target Program for New Rural Development and One Commune One Product; (ii) Central Committee for Ethnic Minorities for integration with the National Target Program for Ethnic Minorities; (iii) Central Committee for Sustainable Poverty Reduction; (iv) projects funded by the Japan International Cooperation Agency in Nghe An province; and (v) private sector enterprises and associations for 4P development.
27. CRWIS will build synergies with other IFAD-funded projects in the country to deliver the expected outcomes of the COSOP 2019–2025. Two of the five pillars of IFAD investments in Viet Nam will be implemented by CRWIS, namely the

institutionalization of a socio-economic development plan (SEDP) and value chain action plan processes and community infrastructure.

E. Costs, benefits and financing

28. The financing gap of US\$10.4 million may be sourced through subsequent cycles of the performance-based allocation system (PBAS) and/or through the Borrowed Resource Access Mechanism (BRAM) (under financing terms to be determined and subject to internal procedures and subsequent Executive Board approval) or by cofinancing identified during implementation.
29. All three CRWIS components are partially counted as climate finance. As per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for this project is estimated as US\$39.453 million (93.5 per cent of the IFAD loan).

Project cost

30. The total project costs are estimated at US\$78.94 million. Investment costs and recurrent costs have been estimated at US\$73.12 million and US\$5.82 million respectively, corresponding to 93 per cent and 7 per cent of total costs.

Table 1

Project costs by component and financier

(Thousands of United States dollars)

Components	IFAD loan		Counterpart (in cash)		Counterpart (in kind)		Beneficiaries		AF grant		Financing gap		Government		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Improved water availability and control through climate-resilient infrastructure development																
1. Improved access to and efficiency of irrigation water for smallholders	33 933	72.3	5 973	12.7	-	-	2 260	4.8	-	-	4 798	10.2	2	-	46 966	59.5
2. Improved flood control and livelihoods protection	8 280	17.6	1 890	4.0	-	-	-	-	-	-	-	-	0	-	10 170	12.9
Subtotal	42 213	73.9	7 862	13.8	-	-	2 260	4.0	-	-	4 798	8.4	2	0.0	57 135	72.4
B. Integrated water management and climate-resilient agriculture																
1. Improved capacity and coordination for integrated water management	-	-	290	0.6	-	-	-	-	5 135	10.9	227	0.5	0	-	5 652	7.2
2. Strengthened resilience of smallholders' agricultural businesses	-	-	1 363	2.9	-	-	-	-	1 916	4.1	4 864	10.4	0	-	8 144	10.3
Subtotal	-	-	1 654	12.0	-	-	-	-	7 051	51.1	5 091	36.9	0	0.0	13 796	17.5
C. Project management and coordination																
1. M&E and knowledge management	-	-	863	1.8	-	-	-	-	1 256	2.7	319	0.7	0	-	2 438	3.1
2. Project management	-	-	4 316	9.2	153	0.3	-	-	909	1.9	193	0.4	0	-	5 571	7.1
Subtotal	-	-	5 179	11.0	153	0.3	-	-	2 165	4.6	511	1.1	0	-	8 008	10.1
Total	42 213	53.5	14 695	18.6	153	0.2	2 260	2.9	9 216	11.7	10 401	13.2	2	0.0	78 939	100.0

Table 2

Project costs by expenditure category and financier

(Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD loan (BRAM)</i>		<i>Counterpart (in cash)</i>		<i>Counterpart (in kind)</i>		<i>Beneficiaries</i>		<i>AF grant</i>		<i>Financing gap</i>		<i>Government</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
I. Investment costs																
A. Equipment and materials	-	-	208	57.6	153	42.4	-	-	-	-	-	-	-	-	361	0.5
B. Grants and subsidies	-	-	972	18.5	-	-	-	-	596	11.4	3 682	70.1	-	-	5 250	6.7
C. Civil works	42 213	68.7	7 862	12.8	-	-	2 260	3.7	4 344	7.1	4 798	7.8	2	0.0	61 479	77.9
D. Consultancies	-	-	416	21.9	-	-	-	-	1 134	59.6	352	18.5	-	-	1 903	2.4
E. Workshops and training	-	-	996	24.1	-	-	-	-	1 995	48.3	1 137	27.6	-	-	4 128	5.2
Total investment costs	42 213	57.7	10 454	14.3	153	0.2	2 260	3.1	8 069	11.0	9 970	13.6	2	0.0	73 122	92.6
II. Recurrent costs																
A. Operating costs	-	-	4 241	72.9	-	-	-	-	1 147	19.7	430	7.4	-	-	5 818	7.4
Total recurrent costs	-	-	4 241	72.9	-	-	-	-	1 147	19.7	430	7.4	-	-	5 818	7.4
Total	42 213	53.5	14 695	18.6	153	0.2	2 260	2.9	9 216	11.7	10 401	13.2	2	0.0	78 939	100.0

Table 3

Project costs by component and project year

(Thousands of United States dollars)

<i>Components</i>	2025	2026	2027	2028	2029	2030	Total
A. Improved water availability and control through climate-resilient infrastructure development							
1. Improved access to and efficiency of irrigation water for smallholders	1 232	15 206	15 421	15 107	-	-	46 966
2. Improved flood control and livelihoods protection	392	3 390	3 351	3 036	-	-	10 170
Subtotal	1 624	18 596	18 772	18 143	-	-	57 135
B. Integrated water management and climate-resilient agriculture							
1. Improved capacity and coordination for integrated water management	226	665	4 460	94	114	93	5 652
2. Strengthened resilience of smallholders' agricultural businesses	428	1 003	3 133	2 825	403	352	8 144
Subtotal	654	1 668	7 593	2 918	517	445	13 796
C. Project management and coordination							
1. M&E and knowledge management	376	466	386	366	380	464	2 438
2. Project management	1 027	844	887	909	955	949	5 571
Subtotal	1 403	1 310	1 273	1 275	1 335	1 412	8 008
Total	3 681	21 574	27 639	22 336	1 852	1 858	78 939

Financing and cofinancing strategy and plan

31. CRWIS will be financed by an IFAD loan (100 per cent BRAM) of US\$42.21 million over four years of the implementation period, a US\$9.22 million grant from the Adaptation Fund, counterpart funding from both provinces of US\$14.85 million and a contribution from beneficiaries of US\$2.26 million. A funding shortfall of US\$10.4 million is anticipated to be covered by IFAD subsequent allocations or other financiers. The European Union has expressed interest in potentially cofinancing the project, drawing from their human rights funds amounting to US\$26 million for Viet Nam.
32. For Nghe An province, the project will be financed by an IFAD BRAM loan of US\$23.40 million, an Adaptation Fund grant of US\$4.64 million, Provincial People's Committees (PPC) counterpart funding of US\$8.25 million and a contribution from beneficiaries of US\$1.51 million, with a financing gap of US\$6.6 million. For Thanh Hoa province, the project will be financed by an IFAD BRAM loan of US\$18.81 million, an Adaptation Fund grant of US\$4.58 million, PPC counterpart funding of US\$6.60 million and a contribution from beneficiaries of US\$0.75 million, with a financing gap of US\$3.8 million.

Disbursement

33. The IFAD financing agreement will contain only the works expenditure category, in line with the local official development assistance regulations. The project will utilize Adaptation Fund grant funds and government counterpart funds to finance soft investments such as training and technical assistance and consultancy-related expenditures. Project management units (PMUs) in both provinces will open designated accounts in a commercial bank approved by the Ministry of Finance (MOF). IFAD will disburse the loan proceeds to the designated accounts based on withdrawal applications authorized and submitted by PMUs or MOF. Both PMUs will have project accounts opened in a local commercial bank or treasury. The IFAD loan proceeds will be transferred to the project accounts after conversion of funds into local currency. The PMUs will pay contractors from the project accounts for works completed. Accurate budgeting and timely coordination with MOF will be needed to avoid a shortage of funds during the project implementation.
34. **Interim financial reporting.** The report-based disbursement modality will be applied to request funds from IFAD. The PMUs will submit quarterly interim financial reports within 30 days from the end of the relevant quarter.

Summary of benefits and economic analysis

35. The project will impact around 278,000 direct beneficiaries. The cost per beneficiary is around US\$298 and the cost per household is around US\$1,123.
36. The financial analysis indicates that all the activities proposed by the project are profitable, with an internal rate of return ranging from 12 to 41 per cent. The economic analysis shows positive returns, with a net present value of US\$14.9 million and an economic internal rate of return of 9 per cent. The results of the sensitivity analysis indicate that project results would turn negative in the event of a reduction in benefits of 25 per cent or a cost increase of 25 per cent. Similarly, a delay in implementation of two years would affect the overall profitability of the project.

Exit strategy and sustainability

37. The two PPCs are the project owners and delegate tasks to the line agencies in each province. Investments in rural infrastructure are part of the commune, district and provincial investment plans. The project design annexes 8 and 10 describe the ownership and operation and maintenance arrangements for each type of infrastructure. The PPCs will ensure funding of infrastructure operation and maintenance, including repair. The project will ensure a smooth asset management transfer and handover to beneficiaries and will empower communities for

sustainable management, operation and maintenance of water related infrastructure.

38. The exit strategy will be finalized at project start-up outlining financial resources required, institutional responsibilities, timelines and milestones.

III. Risk management

A. Risks and mitigation measures

39. The project could face various risks that would potentially affect the execution of its interventions and the achievement of its development objective. The main project risks and mitigation measures are presented in appendix III.

Table 4

Overall risk summary

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	Moderate	Moderate
Sector strategies and policies	Moderate	Moderate
Environment and climate context	Substantial	Substantial
Project scope	Moderate	Moderate
Institutional capacity for implementation and sustainability	Moderate	Moderate
Financial management	Substantial	Substantial
Project procurement	Moderate	Moderate
Environment, social and climate impact	Substantial	Substantial
Stakeholders	Low	Low
Overall	Moderate	Moderate

B. Environment and social category

40. The environmental and social risk is rated substantial. The risk rating is influenced by the extent of the economic compensation or land acquisition that may potentially be required.
41. Key social risks: (i) gender-based violence due to shifts in household dynamics; (ii) inadequate inclusion of women, youth and ethnic minorities in project activities; and (iii) risks associated with land acquisitions and temporary disruptions to farming activities during infrastructure works. These risks are addressed through the implementation of a stakeholder engagement plan, Indigenous Peoples plan, resettlement action framework and plan, and grievance redress mechanism.
42. Key environmental risks: (i) water contamination due to inadequate management of effluents, mainly from aquaculture; and (ii) possible unsustainable use of agro-chemicals by farmers (own purchase). Several mitigation measures have been identified, some of which are built into project activities.

C. Climate risk classification

43. The climate risk is substantial. The main trends are the increased number and severity of flash floods and drought events; higher maximum and minimum temperatures; heat waves; landslides at higher elevations; salinity intrusion in coastal areas; and more frequent and severe typhoons and storms.

D. Debt sustainability

44. Viet Nam is at a low overall risk of sovereign stress. The public debt has continued to fall since 2020 and is projected to decline further, and medium-term risks are also low. Over the longer run, Viet Nam should maintain fiscal prudence and continue with reforms to strengthen the authorities' debt management institutions to tackle any long-term risks arising from population aging and climate change. In 2024, public debt has decreased to 36.6 per cent of GDP, supported by an improved

fiscal balance and strong nominal GDP growth. Current public debt (including debt of affiliated institutions guaranteed by the Government) remains below the National Assembly's 50 per cent debt threshold.

IV. Implementation

A. Organizational framework

Project management and coordination

45. **Lead project implementing agency.** MOF and the Ministry of Planning and Investment will provide oversight at national level and vis-a-vis IFAD. The Government will appoint the PPCs of Thanh Hoa and Nghe An provinces as lead project implementing agencies to be accountable for project execution. Each PPC will establish a project steering committee (PSC) in their respective province. PSCs will lead the project implementation, and will ensure coordination and integration of the project with all the national target programs and donor-funded projects.
46. **Project management units.** Each PPC establishes a dedicated PMU for CRWIS. The PMU will be responsible for the day-to-day project management and functions as the secretary for the PSC meetings. The two provinces have prior experience in managing official development assistance projects financed by various donors.
47. **Project management at district and commune levels.** District and commune people's committees will respectively be responsible for project implementation at the district and commune levels. To the extent possible, project implementation will be decentralized to the commune people's committees.

Financial management, procurement and governance

Financial management

48. The financial management arrangements reflect lessons learned from the ongoing IFAD-supported projects. The project will be implemented by decentralized PMUs in two provinces. Project financial management arrangements will be mainstreamed into the Government's planning and budgeting processes and its organizational structure in two provinces; and the Government's treasury management system will be used for allocation of project funds and application of internal checks and controls. The Government's modified cash accounting standards will be applied for accounting record keeping and reporting. The residual financial management risk is rated substantial before agreed mitigation measures in place.

Procurement management and governance

49. **Procurement legal framework.** The CRWIS procurement will be carried out using procurement procedures guided by the national procurement law and IFAD project procurement guidelines. In case of contradiction between the two, the latter will prevail. The procurement procedures are detailed in the project procurement arrangements letter and the project implementation manual (PIM).
50. **Procurement implementation arrangements.** The PMUs will carry out the procurement and no delegation to districts nor communes is expected. Nevertheless, this arrangement can be adjusted during the project implementation as needed.
51. **Governance and anti-corruption.** IFAD will not finance expenditures that have not been procured in accordance with IFAD project procurement guidelines and the financing agreement. In such cases, IFAD may take other remedial action under the financing agreement, including cancellation of the amount in question from the loan account by declaring it ineligible.

Target group engagement and feedback and grievance redress

52. Poor, near-poor and vulnerable or disadvantaged groups are the priority target groups. A stakeholder engagement plan (SEP) has been prepared to ensure project stakeholders are identified and engaged actively during project design and implementation and to set out methods to consult with project stakeholders, and solicit feedback from them for subproject design and implementation.
53. All Social, Economic and Climate Assessment Procedures (SECAP) documents, such as the ethnic minority plan, site-specific environmental and social management plan, resettlement plan, SEP, and Free, Prior and Informed Consent plan, will be disclosed locally at subproject and project levels before subproject implementation.

Grievance redress

54. A project-level grievance redress mechanism has been designed and included in the SEP, and respectively in the ethnic minority plan and resettlement plan, to ensure key risks and impacts are addressed in a timely manner and appropriately.

B. Planning, monitoring and evaluation, learning, knowledge management and communications

55. **Planning.** The project's planning, budgeting and monitoring will be aligned with the PPC's main planning cycle. The fiscal year runs from January to December. All project expenditures are incurred in accordance with an approved annual workplan and budget (AWPB). The procurement plan is derived from the AWPB.
56. **Monitoring and evaluation.** The M&E system will provide information to the PSC on implementation progress, for a realistic planning and budgeting of project activities every year. To steer project implementation and facilitate supervision, M&E and potentially auditing, the project will use a spatial monitoring system and build the management information system on a geographic information system.
57. Data will be collected from project surveys (baseline, midterm and endline) and thematic studies to assess the effect of project services, as well as from official survey reports generated by relevant departments.
58. **Learning, knowledge management and communication.** The project will promote knowledge transfer to water users in terms of water infrastructure operation and maintenance, sustainable water management and conflict management. Briefing notes and action plans will be generated through the multi-stakeholder platforms established for integrated water management and value chain development and will support institutional coordination and planning. Learning and knowledge management will be strengthened through extension services, training, exchange visits and awareness campaigns.

Innovation and scaling up

59. CRWIS will be the first IFAD-funded project to be implemented in the two target provinces. By leveraging grant cofinancing, the project will promote innovative technologies and practices in early warning systems for climate-vulnerable communities, and in water management and agricultural production to improve the resilience of smallholder farmers to climate change (through the promotion of localized irrigation, laser land levelling, net house horticulture, etc.).

C. Implementation plans

Implementation readiness and start-up plans

60. CRWIS is expected to start in 2025. The IFAD loan for CRWIS is scheduled for review and approval by the IFAD Executive Board in December 2024. Approval by the Government of the IFAD financing agreement and inclusion in the national and provincial investment plans and budgets are expected to be obtained during the fourth quarter of 2024.

61. To facilitate a swift start, the project design documents include: (i) a specification of activities to be financed prior to project effectiveness through project start-up finance; (ii) a draft AWPB for the first year; (iii) a draft 18-month procurement plan; and (iv) a draft PIM.
62. During the time between approval by the Executive Board and project start-up, each PPC will establish the respective PMU. The latter prepares a detailed start-up plan. This includes the finalization of the draft PIM, opening of the designated and project accounts, set up of M&E, financial and procurement management, AWPB and procurement plan.

Supervision, midterm review and completion plans

63. **Supervision and implementation support.** IFAD and the Government will jointly supervise the project to assess achievements and lessons learned and, when required, provide implementation support ensuring effective project implementation to increase the likelihood of achieving the target objective.
64. **Midterm review (MTR).** An MTR will be undertaken halfway through project implementation, led by the Government with IFAD participation. It will evaluate whether the project is on course to achieve the objectives. During the MTR, particular emphasis will be put on assessing sustainability and the extent of implementing the exit strategy.
65. **Project completion plans.** The project completion review (PCR) exercise at the end of project implementation will be led by the PMU in close coordination with IFAD. The PCR will be preceded by an outcome survey and accompanied by stakeholder consultations.

V. Legal instruments and authority

66. The project financing agreement between the Socialist Republic of Viet Nam and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. Two financing agreements will be signed for Thanh Hoa and Nghe An provinces represented by the Ministry of Finance as signatory. Upon conclusion of the negotiations on the financing agreements between the borrower and IFAD, the financing agreements will be shared with the Executive Board for information.
67. The Socialist Republic of Viet Nam is empowered under its laws to receive financing from IFAD.
68. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

69. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on ordinary terms to the Socialist Republic of Viet Nam in an amount of forty-two million two hundred and ten thousand United States dollars (US\$42,210,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

Negotiated financing agreement

(To be shared with the Executive Board for information)

Logical framework

Results Hierarchy	Indicators			
	Name	Baseline	Mid-Term	End Target
Outreach	1 Persons receiving services promoted or supported by the project			
	Males - Males	0	18450	36900
	Females - Females	0	18450	36900
	Young - Young people	0	7380	14760
	Total number of persons receiving services - Number of people	0	36900	73800
	1.a Corresponding number of households reached			
	Women-headed households - Households	0	2950	5900
	Non-women-headed households - Households	0	33950	67900
	Households - Households	0	36900	73800
	1.b Estimated corresponding total number of households members			
	Household members - Number of people	0	139000	278000
Project Goal Contribute to climate resilience, water security and sustainable socio-economic development in Thanh Hoa and Nghe An	Smallholder households reporting increased resilience to climate, environmental and economic shocks			
	Smallholder HH - Households	0	18250	36500
	Smallholder households reporting increased income from targeted agricultural value chains			
Smallholder HH - Households	0	20100	40200	
Development Objective Catalyze climate-informed water management for irrigation and flood control through the rehabilitation of critical infrastructure, and	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers			
	Household members - Number of people	0	129150	258300
	Households - Percentage (%)	0	50	100

transform agricultural production in Thanh Hoa and Nghe An provinces for climate-resilient and profitable rural livelihood	Households - Households	0	36900	73800
	1.2.4 Households reporting an increase in production			
	Total number of household members - Number of people	0	70350	140700
	Households - Percentage (%)	0	27	54
	Women-headed households - Households	0	1600	3200
	Households - Households	0	20100	40200
	SF.2.1 Households satisfied with project-supported services			
	Household members - Number of people	0	87937	175875
	Women-headed households - Households	0	2000	4000
	Households - Percentage (%)	0	37.5	75
	Households - Households	0	25125	50250
Outcome 1. Improved water availability and control in climate-vulnerable agricultural areas through rehabilitation and upgrade of critical infrastructure	1.2.3 Households reporting reduced water shortage vis-à-vis production needs			
	Households - Percentage (%)	0	37.5	75
	Households - Households	0	25000	50000
	Total number of household members - Number of people	0	87500	175000
	Women-headed households - Households	0	2250	4500
	2.2.6 Households reporting improved physical access to markets, processing and storage facilities			
	Households reporting improved physical access to markets - Percentage (%)	0	9.5	19
	Jóvenes - Number	0	7000	14000
	Women-headed households - Households	0	560	1120

	Households reporting improved physical access to markets - Households	0	7000	14000
Output 1.1. Improved access to and efficiency of irrigation for smallholders	Households having improved access to irrigation			
	Households - Percentage (%)	0	30	80
	Households - Households	0	20500	58800
	Total number of household members - Number of people	0	71750	205800
	Women-headed households - Households	0	1640	4700
	1.1.2 Farmland under water-related infrastructure constructed/rehabilitated			
	Hectares of land - Area (ha)	0	4745	13257
	Irrigation and/or drainage canals (I or II) rehabilitated or upgraded			
	Length of canals - Km	0	49	98
Output 1.2. Improved flood control and livelihoods protection	Sections of river dykes rehabilitated or upgraded			
	Length of river dykes - Km	0	9.8	24.8
	1.1.2 Farmland under water-related infrastructure constructed/rehabilitated			
	Hectares of land - Area (ha)	0	860	3850
	Households having agricultural and/or residential lands protected against floods and saline intrusion			
	Households - Percentage (%)	0	4	20
	Households - Households	0	3000	15000
	Total number of household members - Number of people	0	10500	52500
	Women-headed households - - Households	0	240	4200
	2.1.5 Roads constructed, rehabilitated or upgraded			
Length of roads - Km	0	9.8	33.8	
Outcome 2A. Improved capacity and coordination for integrated water management	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment			
	Number - Number	0	4	8
	IE.2.1 Individuals demonstrating an improvement in empowerment			

	Young - Percentage (%)	0	10	20
	Young - Young people	0	6700	13400
	Total persons - Percentage (%)	0	50	100
	Total persons - Number of people	0	33500	67000
	Females - Percentage (%)	0	25	50
	Females - Females	0	16750	33500
	Males - Percentage (%)	0	25	50
	Males - Males	0	16750	33500
	2.2.1 Persons with new jobs/employment opportunities			
	Males - Males	0	15	31
	Females - Females	0	15	31
	Indigenous people - Indigenous people	0	1	3
	Young - Young people	0	5	10
	Total number of persons with new jobs/employment opportunities - Number of people	0	30	62
Output 2.1. Improved local and institutional capacity and coordination mechanism for integrated, inclusive and climate-informed water management	Policy 1 Policy-relevant knowledge products completed			
	Number - Knowledge Products	0	1	3
	3.1.2 Persons provided with climate information services			
	Males - Males	0	16750	36900
	Females - Females	0	16750	36900
	Young - Young people	0	6700	14760
	Persons provided with climate information services - Number of people	0	33500	73800
Output 2.2. Improved capacity and coordination for integrated water management	3.1.1 Groups supported to sustainably manage natural resources and climate-related risks			
	Total size of groups - Number of people	0	4000	8000
	Groups supported - Groups	0	80	160
	Males - Males	0	2000	4000
	Females - Females	0	2000	4000
	Young - Young people	0	800	1600
	Groups headed by women - Groups	0	24	48

Outcome 2B. Strengthened resilience of smallholders' agricultural businesses	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices			
	Total number of household members - Number of people	0	29750	59500
	Households - Percentage (%)	0	11.6	23.2
	Women-headed households - Households	0	650	1300
	Households - Households	0	8500	17000
	2.2.3 Rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities			
	Number of POs - Organizations	0	10	25
	Women in leadership position - Females	0	10	15
Output 2.3. Improved smallholder farmers' productivity and resilience through upscaling of CSA knowledge	1.1.4 Persons trained in production practices and/or technologies			
	Total number of persons trained by the project - Number of people	0	33500	73800
	Men trained in crop - Males	0	16750	36900
	Women trained in crop - Females	0	16750	36900
	Young people trained in crop - Young people	0	6700	14760
	Total persons trained in crop - Number of people	0	33500	73800
	3.1.4 Land brought under climate-resilient practices			
	Hectares of land - Area (ha)	0	7000	15000
Output 2.4. Increased smallholder farmers' income from facilitated business linkages with the private sector	2.1.3 Rural producers' organizations supported			
	Total size of POs - Organizations	0	2000	4000
	Rural POs supported - Organizations	0	40	80
	Males - Males	0	1000	2000
	Females - Females	0	1000	2000
	Young - Young people	0	400	800
	Policy 2 Functioning multi-stakeholder platforms supported			
	Number - Platforms	0	4	7

Integrated project risk matrix

Risk Categories and Subcategories	Inherent	Residual
Country Context		
Political Commitment	Low	Low
<p>Risk(s): Government is unable to provide the resources for implementation of the NTPs, OCOP, and the Prime Minister Resolution 13/NQ-CP, and Decision 150/QĐ-TTg, dated January 2022, approving the strategies for Sustainable Agriculture and Rural Development for 2021-2030, with a Vision to 2050.</p> <p>Shifts in government policies (and lack of clarity on policy implications for design), leadership, or the local political climate influence project approval and community support, potentially leading to delays or even cancellation.</p>	Low	Low
<p>Mitigations: Include explicit text in the Financing Agreement on counterpart funding (including district levels) and loan recovery.</p> <p>The Project Steering Committees under the Provincial People’s Committees are expected to ensure the Government’s interest and involvement in the project, as well as coordination for resource mobilisation and public fund commitment.</p>		
Governance	Moderate	Moderate
<p>Risk(s): Governance systems are in place and functioning well. Corruption is a concern, albeit recent policies brought improvements. Indicators of perceived corruption improved significantly following a scaled-up anti-corruption campaign in recent years. However, further efforts could be taken to strengthen governance in several areas, including through the ongoing development of the national database on asset and income. Other reforms include making laws and administrative processes clearer, simpler, and more transparent to provide greater legal certainty, and reduce scope for excessive discretion by public officials. Addressing shortcomings on AML/CFT will require, among other actions, increasing risk understanding and risk-based supervision, improving domestic coordination and international cooperation, identifying ultimate beneficial owners, and</p>	Moderate	Moderate

Risk Categories and Subcategories	Inherent	Residual
enacting other amendments to bring the current framework closer to best international practices.		
<p>Mitigations: IFAD exercises close supervision and audit of project expenditures and processes. Project-specific controls incorporated in the PIM will help minimize governance risks. In particular, the Project Steering Committee (PSC) will be the essential decision-making body for the project, and the project procurement activities will be subject to IFAD procurement procedures.</p>		
Macroeconomic	Moderate	Moderate
<p>Risk(s): Viet Nam's economic success risks it outgrowing its current market and natural resource management institutions and governance. This appears to be the main obstacle to sustained agricultural growth in the next five years and possibly beyond. Efforts to stimulate the economy through tax breaks and accommodative monetary policy have faced diminishing returns, while raising fiscal deficits and creating new contingent liabilities. Without accelerating structural reforms, Viet Nam faces the risk of a prolonged period of slow growth.</p> <p>Additionally, the potential impact of market fluctuations, such as changes in market demand, inflation, or the uncertainty funding sources (e.g., due to emerging or existing calls on the government budget) might impact project viability.</p>	Moderate	Moderate
<p>Mitigations: The project will directly contribute to Viet Nam's Agricultural Restructuring Program, through facilitation of the transition and transformation of the economy outlined in national strategies. Specifically:</p> <ul style="list-style-type: none"> - From reducing exposure to climate change and environmental risks to adapting to CC constraints; - From increased productivity and production to higher quality, yield stability and value-add to agriculture products; - From creating direct agricultural employment to creating rural employment both on farm and off farm. <p>Some agricultural cooperative and farmer level measures, e.g., contracts with agribusiness or choice of certain higher value products could mitigate impacts of price risks. Similarly, shifts to organic manure and increased productivity (per</p>		

Risk Categories and Subcategories	Inherent	Residual
hectare of land or per unit of input) could mitigate input cost increase due to inflationary pressures.		
Fragility and security	Moderate	Moderate
Risk(s): Viet Nam is highly exposed to climate change induced shocks and extreme events. The political system is robust.	Moderate	Moderate
Mitigations: Government institutions are well organized and experienced in mitigating disasters. The project's integrated approach to supporting resilience of irrigation and rural infrastructure as well as agricultural sector will help address various economic and environmental shocks. For instance, the project will build institutional capacity and improve coordination mechanism for integrated water management to anticipate and reduce flood / drought risks.		
Sector Strategies and Policies		
Policy alignment	Moderate	Moderate
Risk(s): Viet Nam has become a lower middle-income country, graduating to less concessional ODA inflows from IDA-terms in 2017. GoV has put in place new policies on ODA financing (114/2021/NĐ-CP, dated 16 December 2021; 20/2023/ND-CP dated 04 May 2023) that reflect the new situation, and has repercussions for IFAD's investment approach in the country. IFAD's most successful instruments and approaches of the past cannot be scaled-up unless non-lending resources can be mobilized.	Moderate	Moderate
Mitigations: The project design is fully aligned with the Viet Nam's Agricultural Restructuring Plan, the New Rural Development Program, the NTP for sustainable poverty reduction (SPR), the NTP for ethnic minorities, and the OCOP program to which non-lending resources will be significantly mobilized from these programmes. Additionally, the ICO is engaging with different bilateral and multilateral agencies to mobilize additional resources/grants to finance "soft" activities complementing infrastructure development.		
Policy development & implementation	Low	Low
Risk(s): Lack of coordination between the project and other ODA initiatives, policies and programmes such as Agricultural Restructuring Plan, NTPs, OCOP in the target provinces. In addition, there is risk of insufficient skilled and efficient	Low	Low

Risk Categories and Subcategories	Inherent	Residual
contractors and service providers to implement the project in a cost-effective manner, especially in the context of REDD+ related activities.		
<p>Mitigations:</p> <p>CRWIS promotes institutional linkages through improving coordination mechanism with other programmes and policies at provincial and district levels and establishing 4P platforms to support selected key value chains .</p> <p>IFAD engaged at design stage and will collaborate closely during implementation with several agencies including FAO, UN Women, JICA, WB, ADB to ensure harmonization of approaches, no duplication and synergies in the target provinces.</p> <p>Rigorous screening and investigation of potential contractors prior to engagement can tackle this risk adequately. The experience and lessons learnt gained by IFAD in Viet Nam in this respect remains vital.</p>		
Environment and Climate Context		
Project vulnerability to environmental conditions	Substantial	Substantial
<p>Risk(s):</p> <p>The SECAP Review Note classifies the Project as Substantial/High Environmental and Social Risk. The E&S rating was determined on the basis of potential for</p> <p>(1) economic loss to farmers and compensation mechanisms triggered by infrastructure works (upgrade of canals, dykes, roads);</p> <p>(2) land acquisition and associated rehabilitation / compensation mechanisms triggered by infrastructure works (upgrade of canals, dykes, roads);</p> <p>Households affected by (1) and (2) may exceed 100 in number.</p> <p>(3) the command areas of Thanh Hoa irrigation schemes exceed 100 hectares.</p> <p>Additionally, E&S ratings were informed by other potential risks such as</p> <p>(4) historical water pollution through inappropriate use of agro-chemicals by farmers (own purchase and use; the project will not procure or promote agro-chemicals);</p> <p>(5) historical poor domestic waste management practices resulting in water contamination in irrigation channels;</p> <p>(6) potential structural failures of irrigation infrastructure due to weather and extreme climate events (floods, flash floods, landslides, etc.) and associated coastal and riverbank erosion;</p>	Substantial/High	Substantial/High

Risk Categories and Subcategories	Inherent	Residual
(7) historical environmental pollution with impacts on human health and agricultural due to aquaculture and sand mining in Thanh Hoa province.		
Mitigations: These potential adverse impacts can be prevented or alleviated by appropriate actions and mitigation measures as described in the Environment and Social Management Plan (ESMP). Additionally, assessments and stakeholder consultations (for example, to produce the Resettlement Action Plan) during the feasibility study will elaborate and agree on additional mitigation measures needed.		
Project vulnerability to climate change impacts	Substantial	Substantial
Risk(s): The SECAP Review Note classifies the Project as Substantial under the Climate Risk category. The project area is at significant risk of droughts and floods as well as landslides, saline intrusion (specific to Thanh Hoa), extreme heat, storms and typhoons, and coastal and riverbank erosion.	Substantial	Substantial
Mitigations: The mitigation measures include: (1) provincial agencies and districts studies/mapping of climate impact, vulnerability, risks & climate change action plan (CCAP) priorities – with a focus on water management and flood protection; (2) project investment in selected CIEWS equipment to provide early warning and climate-informed agricultural advisories (through improved communication and joint development of advisories by DARD and DONRE); (3) integration and down-scaling of provincial-level, medium- term CC impact scenarios with district and commune-level identification of vulnerable areas, production systems, and populations; (4) technical workshops for CC integration in the value chains and training on climate-smart agriculture for farmers and extension officials; (5) integration of climate change risks into final selection of project value chains.		
Project Scope		
Project relevance	Moderate	Moderate
Risk(s): To carry out infrastructure works (Component 1), the project must comply with the procedures prescribed by the law on construction investment. Consequently, infrastructure works might observe delays, affecting part of the	Moderate	Moderate

Risk Categories and Subcategories	Inherent	Residual
<p>activities of Component 2. There will be concerns on likelihood of achieving the PDO and low progress or outcomes of component 2.</p>		
<p>Mitigations: The PMUs will need to: 1. implement a phased approach in infrastructure development while ensuring realistic targets when planning and budgeting the first years activities. 2. Early Planning and Approval: Initiate the planning and approval process for infrastructure works well in advance. This proactive approach can ensure that even if there are delays in component 1, they don't significantly overlap or interfere with the timelines of component 2. Feasibility and engineering studies as well as procurement planning for the infrastructure works are frontloaded 3. Parallel Implementation: Where feasible, start with preparatory activities which are independent from Component 1 progress (such as CIEWS and flood risk maps, multi-stakeholder surveys, establishment of Farmer Field Schools, establishment of 4P platforms) even before infrastructure works of component 1 are completed. This way, the groundwork is laid, and immediate action can be taken once component 1 is ready. 4. Engage regularly with stakeholders and provide them with updates. Clear communication can manage expectations and reduce concerns about progress. It's essential for stakeholders to understand the dependency between the components and potential for delays. 5. Robust Monitoring & Feedback Mechanisms: Implement a strong monitoring system that can quickly identify potential delays and bottlenecks in Component 1 and assess their implications for the remaining project activities. This system can allow for timely adjustments and re-prioritization of activities if needed. 6. Capacity Building and Training: Equip the PMU with the necessary training and resources to understand and swiftly navigate the law on construction investment. Familiarity with the requirements can reduce the time taken for compliance.</p>		
Technical soundness	Moderate	Moderate
<p>Risk(s): 1. The main project activity consists in irrigation development, mainly through pressurized systems. In some sites, access to water and to energy may become a challenge and the pumping costs are already substantial, and may increase</p>	Moderate	Moderate

Risk Categories and Subcategories	Inherent	Residual
<p>in the next years. If GoV/provincial funding is delayed or is not sufficient, the risk is that beneficiary farmers will be unable to meet the challenge and that the schemes would be unsustainable. A further risk is that the current tariff for electricity may increase.</p> <p>2. There is a possibility that rapid technological advancements or deviation in climate change scenarios could make some project components and design of infrastructure outdated or introduce more efficient and climate- or environment-friendly methods, necessitating changes in project execution strategy.</p>		
<p>Mitigations:</p> <p>(i) Drawing attention and strong commitment of PPC to the timely and sufficient allocations of funds, to pre-finance eligible project expenditures and adequately sustain the irrigation companies to cover pumping costs;</p> <p>(ii) Ensuring that Technical Feasibility and Engineering Studies at early implementation have comprehensive TORs (e.g., requiring that climate trends and forecast assumptions are revisited) and have adequate time for landscape scanning/consultations) and that procurement procedures to select feasibility studies/design consulting firms should not be restricted to financial offers adequacy and be extended to the quality/soundness of the technical aspects to ensure study/design technical soundness and quality.</p>		
Institutional Capacity for Implementation & Sustainability		
Implementation arrangements	Moderate	Moderate
<p>Risk(s):</p> <p>(i) Lack of adequate human and financial resources. Challenges in terms of coordination capacities and costs considering the size of PMU, the number of partners including several financing partners with potential different reporting and planning requirements</p> <p>(ii) The project will be implemented on a large scale, with the participation of many provincial departments, district and commune agencies, so there are concerns about the ability to coordinate project activities. The required inter-sectoral, inter-district coordination is new to various departments/agencies which may not have the required capacity.</p> <p>(iii) Financing gap: The financing gap represents ~12% of total project cost. If the gap is not filled, project will lack financial resources to invest in committed activities.</p>	Moderate	Moderate

Risk Categories and Subcategories	Inherent	Residual
<p>Mitigations:</p> <p>(i) Provincial governments and line agencies have committed sufficient funds for capacity building. CSAT will seek for additional funds such from the NTPs and OCOP. CWRIS's PIM outlines implementation requirements in a step by step approach.</p> <p>The proposed institutional arrangements are based on the foundation provided under the previous IFAD projects in the region. These projects have demonstrated a solid track record of delivery of even complex tasks across province, district and commune structures. This will ensure that project activities will be properly mainstreamed in the provincial government programmes of work.</p> <p>(ii) PSC shall request the DARD, DONRE and DPI to select and appoint a competent staff with full-time capacity to be responsible for coordinating these activities. IFAD shall provide a template of job description and required qualifications for this position.</p> <p>(iii) IFAD has worked with various potential donors including the EU and JICA. Potential to have those donors to cover the gap is high. Further, CWRIS is designed to work closely with NTPs, OCOP, and private sectors (through the 4P), additional resources can be mobilized from those programs and partners to cover the gap.</p>		
M&E arrangements	Moderate	Moderate
<p>Risk(s):</p> <ul style="list-style-type: none"> – Inadequate M&E system for planning and monitoring. – Poor coordination between involved implementing agencies. – Insufficient financial resources to undertake M&E activities from GoV counterpart funding. 	Moderate	Moderate
<p>Mitigations:</p> <p>M&E system will be embedded in the project management information system (MIS), allowing real-time reporting and coordination between several co- implementing agencies.</p> <p>Grant financing including from AF will be mobilised to ensure key M&E and knowledge management interventions will have dedicated financial resources.</p>		
Procurement		
Legal and regulatory framework	Moderate	Moderate
<p>Risk(s):</p> <p>The Borrower's regulatory and institutional capacity and practices (including compliance with</p>	Moderate	Moderate

Risk Categories and Subcategories	Inherent	Residual
<p>the laws) are inadequate to conduct the procurement in a manner that optimizes value for money with integrity. There are some constraints on applicable procurement methods for consulting service (particularly CQS), thresholds for applying direct contracting, application of E-procurement for international bidding, and limited provisions on sustainable procurement.</p>		
<p>Mitigations: Periodically review the application of standard operating procedures for donor funded projects inference to the law and regulation. Review and clear project procurement plan (consolidated) encouraging the use of competitive procurement methods. Provide consolidated procurement information on project website (opportunities and awards). Use IFAD’s standard RFP for CQS method. Use PAL to specify provisions for application of different procurement methods and direct contracting/single source selection. Promote green procurement through introducing sustainable public procurement criteria.</p>		
<p>Accountability and transparency</p>	Moderate	Moderate
<p>Risk(s): Accountability, transparency and oversight arrangements (including the handling of complaints regarding, for example, SH/SEA and fraud and corruption) are inadequate to safeguard the integrity of project procurement and contract execution, leading to the unintended use of funds, miss-procurement, SH/SEA, and/or execution of project procurements outside of the required time, cost and quality requirements.</p>	Moderate	Moderate
<p>Mitigations: Apply e-Procurement for goods/work/service packages where applicable. Request bidders and contractors signing the Self-Certification Forms on anticorruption, sexual harassment, sexual exploitation and abuse as a part of bids/proposals and contract documents. Periodic oversight missions and audits are in place to mitigate potential issues. Conduct prior and post reviews to strengthen enforcement of the debarment system. Potentially strengthening effective administrative sanctions and criminal prosecution for prohibitive practices. Enforcing legal protection or whistle-blower protection. Apply FIRCO check on bidders and vendors in post and prior review cases. Government officials involved in public procurement shall be requested to sign on the Codes of conduct/codes of ethics.</p>		
<p>Capability in public procurement</p>	Moderate	Moderate
<p>Risk(s):</p>	Moderate	Moderate

Risk Categories and Subcategories	Inherent	Residual
The implementing agencies are new with IFAD projects and procurement procedures and do not have sound processes, procedures, systems and personnel in place for the administration, supervision and management of contracts resulting in adverse impacts to the development outcomes of the project.		
Mitigations: Recruit procurement professionals to support full time and intermittently. Provide training and periodic coaching to project procurement staff. Procurement staff are to be trained on SECAP and ensure the compliance of SECAP requirements. IFAD supervision missions to review and check the compliance.		
Public procurement processes	Moderate	Moderate
Risk(s): Procurement processes and market structures (methods, planning, bidding, contract award and contract management) are inefficient and/or anti-competitive, resulting in the misuse of project funds or sub-optimal implementation of the project and achievement of its objectives. Budget allocations are not always appropriate in a timely manner.	Moderate	Moderate
Mitigations: Carry out coaching, on-the-job trainings and refresher trainings on procurement (IFAD project procurement guidelines and manual, ICP-CMT system, OPEN system, and SECAP requirements). PMUs monitor implementation progress of the procurement plan and regularly update with both planned and actual data. IFAD provides regular supports, prior and post reviews, and close supervision.		
Financial Management		
Financial Management	Substantial	Substantial
Organization and Staffing: Viet Nam has a good system and schools to train accountants and finance professionals. Regions have experienced accountants. However, not all regional accountants do speak English and translator services will be required.	Moderate	Moderate
Mitigations: Appoint accountants experienced in the WB-funded project operations responsible for the IFAD project. The PMUs will ensure the required translation services are available for communication with IFAD.		
Budgeting:	Moderate	Moderate

Risk Categories and Subcategories	Inherent	Residual
Budgeting will follow government regulations. Collecting budgets for all implementing partners and sending them to PPC approval timely will be challenging task. IFAD funded projects in the country have in the past had difficulties complying with ODA laws and budget regulations.		
Mitigations: PIM/FMM include clear roles and responsibilities for budgeting and timelines. The PMU will set up a budget team to ensure timely and realistic preparation of AWPBs. - PMU will monitor relevant ODA and budget regulations requirements and take necessary steps in advance to comply with them to ensure timely and sufficient budget allocations for the project.		
<u>Funds Flow / Disbursement Arrangements:</u> IFAD funds will be disbursed to DA opened in a provincial bank branch. PA will be used to convert funds from DA to PA and then to pay suppliers. Several grant funds are needed to finance soft project expenditures and each one will require specific funds flow arrangements depending on donor requirements. Financing gap may affect other project categories and overall project implementation.	Substantial	Substantial
Mitigations: PMU will make sure all donor requirements for funds flow are well understood and duly followed. -PMUs will work closely with the IFAD team to develop internal procedures to meet all donor requirements. IFAD will develop alternative plans in case initial plans for financing gap filling do not materialize.		
<u>Internal Controls:</u> There are potential internal control weaknesses for managing large scale infrastructure contracts. Work completed will be challenging to assess and verify.	Substantial	Substantial
Mitigations: The PIM and FMM include clear roles for supporting documents filing and accounting record keeping for all implementing partners. The PMUs will follow rigorous government regulations for assessing and accepting work done for infrastructure contracts. The PMUs will employ experienced engineers to assess and verify infrastructure work.		
<u>Accounting and Financial Reporting:</u>	Substantial	Substantial

Risk Categories and Subcategories	Inherent	Residual
Accounting records must be maintained for all implementing partners in provincial districts in one accounting software.		
<p>Mitigations: Customization of accounting software (BICTIME/SMARTBOOK) for accounting record keeping, financial reporting and accounts reconciliations.</p> <p>The PMUs will develop tailored TORs for accountants to ensure that responsibilities for accurate accounting records for implementing partners are clearly defined and communicated</p>		
<p><u>External Audit:</u> Auditor may delay audit submission due to resource constraints.</p>	Substantial	Substantial
<p>Mitigations: The PMUs will appoint auditors before the end of a financial year to be audited.</p>		
Environment, Social and Climate Impact		
Biodiversity conservation	Moderate	Moderate
<p>Risk(s): Potential construction and upgrade of canals, dykes, roads and pumping stations may affect freshwater species in the rivers Lam and Cung / Ma. Historical effects of hydropower stations on riverbank erosion and river morphology will continue. Irrigation infrastructure and agricultural production is not expected to impinge on protected areas, or critical or sensitive wildlife habitats on land. CSA activities that promote certain crop varieties, crop species, livestock breeds, plantation species, etc. may affect agro-biodiversity.</p>	Moderate	Moderate
<p>Mitigations: Main mitigation strategy pertains to community-based land use planning and allocation process, including: – collection of information & secondary data on freshwater/riverbank biodiversity, agro-biodiversity, and land use; – preparation of the land use plan and proposed land use maps; – (3) submission of the proposed land use plan to commune and District People’s Committees (DPC) for approval.</p>		
Resource efficiency and pollution prevention	Substantial	Substantial
<p>Risk(s): Excess use of agro-chemicals by farmers, particularly aquaculture farmers in Thanh Hoa,</p>	Substantial	Substantial

Risk Categories and Subcategories	Inherent	Residual
<p>may affect river and irrigation water quality through leakage, and affect the crop safety and livestock / human health. Poor waste management (solid, effluent, domestic, industrial) might affect water quality and flow. Support to high technology crop or aquaculture production might result in soil or water. Historically, some communes have used open sewers to pump irrigation water when irrigation canals do not reach their fields – so, implementation delays in Component 1 or inadequate upgrade of canals may exacerbate this practice.</p>		
<p>Mitigations: Climate-Smart Agriculture practices that include integrated fertilizer, insecticide, and pesticide management (including the use of microbial manure) will be prioritized. A strong monitoring system that can quickly identify potential delays in Component 1 activities will be implemented. This would allow assessment of its implications for Component 2 and timely adjustments and remedial/re-prioritization activities where needed.</p>		
Cultural heritage	Low	Low
<p>Risk(s): Screening during project design indicated that there are no tangible cultural sites identified within the potential command areas. Since project will rehabilitate existing infrastructure, the risks of affecting cultural sites are low. It is also anticipated that project activities would not have any potential adverse impacts on any intangible cultural heritages of the local people, including those of the ethnic minority groups in Chau Khe commune, Con Cuong district, Nghe An province. It is also noted that land acquisitions for expansion of existing irrigation canals would be rare. If this happens, only short section of new canal (main and secondary levels) would be built in public land and acquisition of private land is avoided/minimized. The degree of excavations, movement of earth for these new canal sections are expected to be small, shallow, and linear by nature. As such, alignment for new section of canals would be adjusted to avoid impact on cultural heritage, if any.</p>	Low	Low
<p>Mitigations: The project has a Find Chance Procedure that is included in the ESCMF. During project implementation, impacts on intangible and tangible cultural heritage will be avoided, if found during project implementation. Subprojects that</p>		

Risk Categories and Subcategories	Inherent	Residual
<p>potentially cause cultural heritage impact will not be eligible for financing. FPIC Implementation Plan and Stakeholder Engagement Plan will ensure transparency on project activities and mandate consultations in designing any benefit-sharing arrangements for tangible/intangible cultural heritage that is commercialized (as in access to markets is strengthened or introduced).</p>		
Indigenous Peoples	Substantial	Substantial
<p>Risk(s): ethnic minorities constitute a minor proportion of the CRWIS target population. The rehabilitation works that benefit people from 2 villages might involve lands owned or cultivated by ethnic minorities. No permanent land acquisition is anticipated based on the current initial scope of investment.</p> <p>Exclusion of vulnerable/ disadvantaged individuals/ groups including ethnic minorities: People from these groups may not participate in project meetings and events because of the following reasons: (i) lack of confidence; (ii) being excluded /not being respected by other members of the groups/ being discouraged from joining the discussion by other members; (iii) lack of labor within the family and poor house conditions; (iv) lack agriculture land; and (v) lack motivation to work and/or participate in development project.</p>	<p>Substantial</p>	<p>Substantial</p>
<p>Mitigations: Stakeholder Engagement Plan, Ethnic Minority Plan, and FPIC Implementation Plan have been prepared to set forth procedures for iterative engagement of ethnic minorities in village Bãỉ Gạo during this subproject planning and implementation. SEP has included special consultation measures which address also the need of specific different groups such as ethnic Minority, people with disability, women, female-headed households, elderlies, and children.</p> <p>Key mitigation measures include:</p> <ul style="list-style-type: none"> - Identify the EM groups in each project commune/village. Ensure these groups are invited to project’s consultation meetings using communication methods prepared for vulnerable groups. - Incorporate feedback from these groups consultation meetings prior to project implementation/selection of investment activities and ensure they could participate and receive project benefits. 		

Risk Categories and Subcategories	Inherent	Residual
<p>– Maintain regular contacts with the groups during project design and during implementation activities.</p>		
Community health and safety	Substantial	Substantial
<p>Risk(s): Overuse of chemicals and pesticides for production, procured by farmers, on their own which may affect water or soil resources.</p> <p>Inappropriate waste management and disposal (including, aquaculture production in Thanh Hoa) may affect water / soil quality and hence safety of crop production with impacts on human and livestock health.</p> <p>Other potential risks include: Traffic Safety. Construction activities (uneven road, material stockpile, earthwork, open holes...) may cause traffic accident for people passing by, particularly road rehabilitation.</p> <p>Contracting/spreading of communicable disease. Close and daily interaction among workers, and between workers and community members (eating/buying things in local shops) may increase risks of communicable diseases.</p> <p>Risks related to SEA/SH due to labor influx, and also related to: 1) Female project workers, including a) PMU staff, b) local workers, and c) community workers 2) Female community members who are beneficiaries.</p> <p>Social Conflicts between influx of labor and local people</p>	Substantial	Substantial
<p>Mitigations: Since the project aims at increasing climate resilience, climate-smart agriculture practices aiming at reducing the use of chemical fertilizers and pesticides will be supported throughout activities. Existing government programs on waste management will be strengthened and leveraged. Train vulnerable/disadvantaged group in first meeting. Repeat as needed in subsequent meeting (post-training evaluation).</p> <p>Mitigation measures for SEA/SH include the following key aspects: – Increasing awareness for groups at risk. – Conduct training for risk groups, particularly female community members and female members of vulnerable/disadvantaged groups.</p>		

Risk Categories and Subcategories	Inherent	Residual
<ul style="list-style-type: none"> - Explicitly state zero tolerance for sexual harassment, exploitation, and abuse within the workplace. - Project workers to peruse and sign Worker's Code of Conduct for SEA/SH (See ESCMF) - Children prohibited from construction site and worker's camp. - Grievance Redress Procedure is disclosed to risk group, particularly female community members and female members of vulnerable/ disadvantaged groups. - Engage Women's Union (WU) at commune level to assist in resolution if the incidence occurs. - PMU's reporting of the cases and maintains regular monitoring, and take actions as needed. <p>Mitigation for potential social conflicts include:</p> <ul style="list-style-type: none"> - Inform local officials and affected residents, regularly and in advance, of the location and schedule of construction activities which may cause impacts on the environment and life of people. - Ensure construction camps are located at least 500 m away from communities to avoid social conflict in using resources and basic amenities such as water supply and to avoid close contact between workers and the community (in particular children). - Maximize number of local people employed in construction and non-construction jobs and provide on the job skills training for local people employed. - Maximize goods and services sourced from local commercial enterprises. 		
Labour and working conditions	Moderate	Moderate
<p>Risk(s): There may be environmental risks to labourers involved in infrastructure activities owing to historical pollution (air, water) in Thanh Hoa province. It is highly unlikely that children under 15 years of age or forced labour will be involved in project activities. However, there is some risk that children between 15 and 18 years of age might provide labour.</p>	Moderate	Moderate
<p>Mitigations: The project will set labour and working condition standards in line with GoV and IFAD norms and focus on employment for local communities. Minimum age requirement is 18 years of age for all project workers, including contracted workers engaged. Procedure for age verification (prior to job offer) and how to handle the cases if found</p>		

Risk Categories and Subcategories	Inherent	Residual
while on board (See ESCMF).		
Physical and economic resettlement	Substantial /High	Substantial /High
<p>Risk(s): It is anticipated that rehabilitation of existing canals and pumping stations/dykes require land acquisition. No physical resettlement is anticipated. During construction, it is estimated that 4,229 households will be affected temporarily in Nghe An, and 2,068 households in Thanh Hoa (averaging 31m² per households). Temporary impacts are short duration, localized due to contractor's construction activities.</p>	Substantial	Substantial
<p>Mitigations: A Resettlement Action Framework has been prepared at design to guide FPIC and compensation payment for affected households. This was prepared in accordance with Standard 7, and in line with relevant national laws and regulations, including common practices widely adopted by other institutions such as the WB and the ADB.</p>		
Greenhouse gas emissions	Low	Low
<p>Risk(s): Flooded rice production releases GHGs (particularly methane but also nitrous oxide). Support to rice cultivation, aquaculture, and livestock production (backyard or semi-commercial systems) may contribute to increased GHG emissions.</p>	Low	Low
<p>Mitigations: Some of the Climate-Smart Agriculture practices prioritized in the Targeted Adaptation Assessment include: <ul style="list-style-type: none"> - alternate wetting and drying or sustainable rice intensification; - reclamation of manure to produce organic fertilizers, including through the use of composting drum; - integrated fertilizer and pesticide management; - climate-informed advisories to farmers with a focus on water-use efficiency. All these measures possibly have mitigation co-benefits. It is also possible that women-led or women-owned agricultural cooperative liaise with private dairy enterprises, which produce large quantities of manure and have difficult in manure management, to produce organic fertilizer at scale and distribute in areas with shortage of livestock manure.</p>		

Risk Categories and Subcategories	Inherent	Residual
Vulnerability of target populations and ecosystems to climate variability and hazards	Substantial	Substantial
Risk(s): Both target provinces are already significantly vulnerable to river floods and droughts, but also report heat waves and extreme temperatures, landslides in hilly and mountainous areas, flash floods, storms and typhoons, and saline intrusion (one coastal district of Thanh Hoa).	Substantial	Substantial
Mitigations: The Targeted Adaptation Assessment identifies and prioritizes measures to reduce vulnerability and support climate resilience.		
Stakeholders	Low	Low
Stakeholder engagement/coordination	Low	Low
Risk(s): The risk associated with stakeholder engagement and coordination is rated "Low" given that there has been a strong cooperation culture that has been adopted under existing government's development program. In addition, under this project, there is a strong commitment of local people and government to work together to delivered expected project outcomes.		
Mitigations: A Stakeholder Engagement Plan has been prepared to identify project stakeholders (both affected and interested parties), particularly to identify vulnerable/disadvantaged groups. The SEP also assess the level of interest, influence, and impact of each identified groups as to project interventions, thereby proposing methods for consulting each groups, based on their socioeconomic characteristics. In addition, an FPIC Implementation Plan has also been prepared to ensure ethnic minority peoples and those affected with land acquisition are consulted appropriately and provide Free, Prior, Informed Consent to the subproject, and to investment activities that affect them adversely.		
Stakeholder grievances	Low	Low
Risk(s): Given the risks and impacts related to land acquisition, labour, SEA/SH, and others are anticipated, grievances related to these aspects are anticipated. However, due to the nature and small scope of potential impacts, the risk related to stakeholders' grievances are expected to be small.	Low	Low
Mitigations:		

Risk Categories and Subcategories	Inherent	Residual
Four grievance redress procedures have been prepared to ensure grievances that arise during project implementation are timely acknowledged and resolved within a specified timeframes. Aggrieved persons could submit complaints verbally, or in writing, through different channels that are most appropriate to them.		