
President's report

Proposed loan

Socialist Republic of Viet Nam

Achieving Emission Reduction in the Central Highlands and South Central Coast of Viet Nam to Support National REDD+ Action Programme Goals (RECAF)

Project ID: 2000002336

Document: EB 2024/143/R.4

Agenda: 3(a)(i)(a)(iii)

Date: 14 November 2024

Distribution: Public

Original: English

FOR: APPROVAL

Action: The Executive Board is invited to approve the recommendation contained in paragraph 63.

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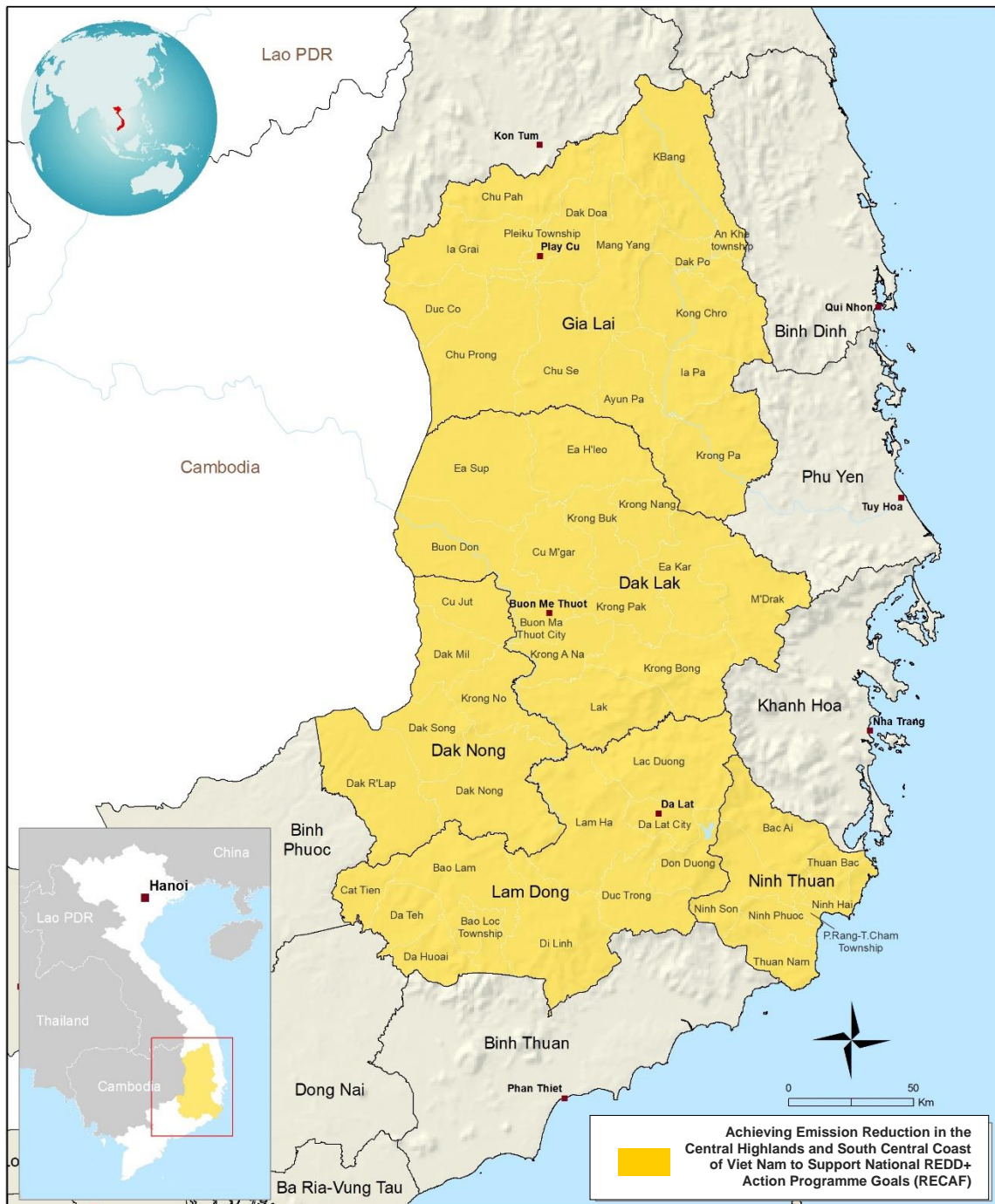
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Map of the project area



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.
 IFAD Map compiled by IFAD | 25-08-2022

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	The Socialist Republic of Viet Nam
Executing agency:	Ministry of Agriculture and Rural Development
Total programme cost:	US\$102.51 million
Amount of IFAD loan 1 (performance-based allocation system [PBAS]):	US\$25 million
Terms of IFAD loan 1 (PBAS):	Ordinary terms. The loan is granted on ordinary lending terms and shall be subject to interest on the principal amount outstanding of the loan at a rate equal to the IFAD reference interest rate, with a variable spread, and have a maturity period of 25 years, including a grace period of 5 years.
Amount of IFAD loan 2 (Borrowed Resource Access Mechanism [BRAM]):	US\$7.434 million
Terms of IFAD loan 2 (BRAM):	Ordinary terms. The loan is granted on ordinary lending terms and shall be subject to interest on the principal amount outstanding of the loan at a rate equal to the IFAD reference interest rate, with variable spread, and have a maturity period of 25 years, including a grace period of 5 years.
Cofinancier:	Green Climate Fund (GCF)
Amount of cofinancing:	US\$35 million
Terms of cofinancing:	Grant
Contribution of borrower:	US\$28.64 million
Contribution of beneficiaries:	US\$6.44 million (in-kind contribution)
Amount of IFAD climate finance:	US\$32.434 million
Cooperating institution:	Directly supervised by IFAD

I. Context

A. National context and rationale for IFAD involvement

1. The Socialist Republic of Viet Nam has made impressive progress in poverty reduction. The proportion of the population living below the national poverty line fell to 4.8 per cent in 2020, down from 70 per cent in 1993. Poverty in Viet Nam has become overwhelmingly rural and is found predominantly among ethnic minorities. Poverty rates are higher in the Central Highlands (8.3 per cent) and Ninh Thuan province (12.7 per cent). Poverty among ethnic minorities stands at 40.4 per cent, accounting for 53.8 per cent of the extremely poor.
2. Agriculture's significant contribution to economic growth and rural poverty reduction has come at a cost. Sector growth has been heavily subsidized by unsustainable exploitation of natural resources. In the Central Highlands and South Central Coast regions, the agriculture and forestry sectors account for some 28 to 50 per cent of provincial GDP and 80 to 90 per cent of employment, making them critical to the economy and livelihoods of people in the region.
3. Over the past 50 years, the average temperature in Viet Nam has risen by approximately 0.5° C to 0.7° C. This increase was faster in southern Viet Nam and the Central Highlands; in fact, the increase in mean temperatures in the five project provinces was 0.9° C to 1.0° C. Extreme climate events have increased in frequency and intensity,¹ with droughts a significant climate hazard in the project area.
4. Globally, the agriculture, forestry and other land use (AFOLU) sector is the second leading contributor to global warming, after energy generation. This sector is responsible for about 22 per cent of carbon emissions.² The country's total net emissions in the agriculture sector (excluding forests) rose from 0.79 tCO₂eq in 2000 to 3.81 tCO₂eq in 2018.³ The Reducing Emissions from Deforestation and Forest Degradation Programme (REDD+) is a key instrument in Viet Nam's National Strategy for Climate Change. The National Action REDD+ Programme 2011–2020 (NRAP), approved in 2012 and updated in 2017 for the period up to 2030, is the country's framework for REDD+ implementation.

Special aspects relating to the Twelfth Replenishment of IFAD's Resources (IFAD12) corporate mainstreaming priorities

5. **Gender and social inclusion.** Achieving Emission Reduction in the Central Highlands and South Central Coast of Viet Nam to Support National REDD+ Action Programme Goals (RECAF) targets a significant majority of women among the working poor. Gender inequality is recognized as one of the key causes of poverty. Climate change is posing new challenges in this respect. RECAF will mainstream gender equality and employ direct and indirect targeting strategies to reach poor women, especially from ethnic minority groups.
6. **Youth.** Youth employment is a significant challenge in Viet Nam. The informal sector remains a major source of employment for young workers, who are poorly paid. Skills mismatch substantially affects working youth. RECAF aims to create an enabling environment for decent employment and entrepreneurship along deforestation-free value chains in the project area.
7. **Nutrition.** RECAF is expected to have a positive impact on dietary diversity in the target groups through two pathways: (i) higher, more resilient incomes from more diversified farming systems, better farm management, investments in irrigation and

¹ https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Viet%20Nam%20First/VIET_NAM%27S%20INDC.pdf.

² IPCC 2022.

³ BUR3 https://unfccc.int/sites/default/files/resource/Viet%20Nam_BUR3.pdf. In 2016, AFOLU is no longer divided into agriculture and land use, land use change and forestry (LULUCF). This is the total emissions without the absorption from forestland.

better value chain linkages; (ii) the introduction of fruit trees, nuts, herbs and medicinal plants in current monocrop coffee or pepper cultivation and in the agroforestry systems to be planted on bare land, together with the use of beans will increase the nutritional value of farm products.

8. **Climate and environment.** The project areas are considered to be heavily exposed to climate change risks, including droughts, extreme heat, violent storms and floods, all of which are resulting in substantial economic and human losses. RECAF will strengthen the central and provincial governments' ability to help small-scale rural producers build anticipatory capacity (to plan for and reduce shocks), absorptive capacity (to absorb and cope with shocks and stresses) and adaptive capacity.
9. In line with IFAD's mainstreaming commitments, the project has been validated as:
 - Including climate finance;
 - Nutrition-sensitive;
 - Prioritizing Indigenous Peoples;
 - Including adaptive capacity.

Rationale for IFAD involvement

10. Viet Nam's middle-income status is hampering the country's ability to obtain concessional financing. It is therefore important for IFAD to continue mobilizing grants from internal and external sources, particularly for capacity-building and pro-poor activities that fall outside the Government's debt management guidelines for the use of loans. Thus, under RECAF, Green Climate Fund (GCF) grant financing, coupled with IFAD's proven last mile infrastructure-oriented loan, will provide a strong and attractive platform for the Government to meet its policy goals of incorporating concessional financing into national and provincial planning processes and public sector investment.
11. IFAD has built a 30-plus-year productive collaboration with Viet Nam through its support to the country's rural population and smallholder farming sector. IFAD's comparative advantage lies in supporting and encouraging innovation and experimentation with value chain development, small-scale infrastructure and financing, payment for ecosystem services, market-oriented planning, public investment, land and forestland planning and allocation, private sector engagement and climate-smart agriculture.

B. Lessons learned

12. IFAD's portfolio across Viet Nam has accumulated a wealth of lessons learned. The most relevant to RECAF focus on: (i) the promotion of regional planning and cross-sector coordination for the Central Highlands and South Central Coast; (ii) ensuring synergies among value chain instruments, including value chain action planning, the Women's Development Fund, public-private producer partnerships (4P) and climate-smart agriculture (CSA); (iii) private sector engagement; (iv) gender empowerment; (v) a holistic approach to climate resilience from planning to implementation; and (vi) the integration of project instruments into government programmes, taking the new official development assistance (ODA) policies in Viet Nam into account.

II. Project description

A. Objectives, geographical area of intervention and target groups

13. The **goal of** RECAF is to reduce greenhouse gas (GHG) emissions from the AFOLU sector, contributing to climate-resilient, sustainable development of forest-dependent communities in the target provinces.

Paradigm shift

14. **IF** Viet Nam's REDD+ design pillars and NRAP are fully upgraded and integrated into provincial socioeconomic development processes with effective 4P and financial and legal incentives, **THEN** Viet Nam will be able to transform agricultural production and forest management to meet deforestation-free commodity goals while also building resilience to climate change impacts, **BECAUSE** the necessary policy, institutional and technical capacity, public and private investment, and community and farmer capacity will have been supported and coordinated to achieve reduced GHG emissions and climate-resilient sustainable development of forest-dependent communities.
15. **Geographic area.** RECAF covers the provinces of Gia Lai, Dak Lak, Dak Nong, Lam Dong in the Central Highlands and Ninh Thuan on the South Central Coast.
16. **Beneficiaries.** RECAF will directly reach 100,000 smallholder farm households, equivalent to some 420,000 people in 21 districts in the five target provinces, and some 1,000,000 indirect beneficiaries living in and around the project area. Of the total 100,000 direct beneficiary households, 40 per cent will be ethnic minority households, 40 per cent women and 30 per cent youth.

B. Components, outcomes and activities

17. **Component 1/outcome 1: Viet Nam's National REDD+ Action Programme is implemented and integrated into provincial policies and institutional frameworks with improved 4Ps to operationalize REDD+.** This outcome will foster cross-sector coordination and planning, mostly at the provincial level, leading to a tangible reduction in deforestation, and strengthened capacities to mobilize funds for the implementation of REDD+ action plans.
18. **Subcomponent 1.1/output 1.1: National REDD+ policies and mechanism upgraded to fulfill all required functions, including afforestation.** To ensure full alignment with international result-based payment (RBP) requirements, national REDD+ policies and mechanisms, including the National REDD+ Action Plan (NRAP), forest reference emission level (FREL)/forest reference level (FRL), national forest monitoring system (NFMS) and safeguards information system (SIS), will be upgraded and updated, as necessary.
19. **Subcomponent 1.2/output 1.2: Provincial policies, legal and institutional frameworks and stakeholder coordination mechanisms integrated with National REDD+ Action Plan (NRAP).** This output focuses on integrating provincial policies, legal frameworks and institutional mechanisms with the NRAP, addressing provincial capacity gaps.
20. **Component 2/outcome 2: Emissions reductions from AFOLU are generated through 4Ps' deforestation-free value chains and performance-based finance.** This outcome focuses on designing and operationalizing deforestation-free value chains through the engagement of 4Ps, and improved access to finance. Moreover, it involves the creation of essential support infrastructure for deforestation-free value chains, as well as forest restoration and protection measures. The outcome also aims to promote community forest management and offer performance-based incentives.

21. **Subcomponent 2.1/output 2.1: Deforestation-free value chains developed by 4Ps and increased access to finance.** Output 2.1 involves developing and implementing deforestation-free value chain action plans. This includes increasing carbon stocks, adapting to climate change and ensuring a fair income for smallholder farmers, ethnic minorities and other producers. 4P platforms on perennial crops will adopt a jurisdictional approach to deforestation-free sourcing in collaboration with lead companies. Simultaneously, the project will assist financial institutions in developing credit products and securing medium- to long-term funding for mitigation investments.
22. **Subcomponent 2.2/output 2.2: Deforestation-free value chains and forest restoration infrastructure upgraded and established.** The project aims to upgrade the infrastructure for deforestation-free value chain development and forest restoration. This includes investments in small-scale and micro-irrigation systems to reduce water needs, bolster climate resilience and promote organic fertilizer production to increase access to quality agroforestry input and value-added processing facilities to minimize post-harvest losses, reduce emissions and increase revenue potential for deforestation-free value chains.
23. **Subcomponent 2.3/output 2.3: Collaborative forest management capacity enhanced through performance-based incentives.** This output facilitates the development of a community landscape management plan that will identify suitable areas for agroforestry development, explore options for specialty product development, assess infrastructure requirements (linking to output 2.2) and consider payment for ecosystem services and collaborative multi-stakeholder commune-level forest management possibilities.

Project management, coordination and monitoring

24. Project coordination follows the proven structure of IFAD-funded projects in Viet Nam. It onboards a number of additional functions to respond to new requirements, including risk management, policy engagement and the facilitation of private sector linkages and partnerships. Monitoring and evaluation (M&E) and knowledge management (KM) are addressed in section IV below. The project implementation manual (PIM) describes the detailed implementation arrangements.

C. Theory of change

25. Deforestation and forest degradation are still major sources of GHG emissions in the project area, with agriculture encroachment and the conversion of natural forest to plantation forest as the main drivers. In addition, there is great potential to increase carbon stock through forest regeneration and the development of agroforestry systems. REDD+ is a key instrument in Viet Nam's National Strategy for Climate Change. While the rural poor and ethnic minorities may often be involved in agricultural production on designated forestland, they frequently lack other livelihood options and are negatively impacted by deforestation, forest degradation and climate change.
26. The project aims to facilitate an economically viable transition to sustainable forestland management, deforestation-free value chains and climate-resilient livelihoods, through:
- Support to provincial governments to mainstream the NRAP in their social and economic development plans and investments;
 - Support to the Ministry of Agriculture and Rural Development (MARD) to upgrade its REDD+ monitoring and information system to enable it to generate the required reports for results-based payment from different sources;
 - The creation of 4P platforms for the development and implementation of value chain action plans, with the object of making them deforestation-free,

increasing carbon stocks and adapting to climate change, while ensuring a fair income for participating smallholder farmers;

- Investment in productive, climate-resilient infrastructure to enable perennial 4Ps to invest in agroforestry and heighten resilience to droughts; and
- Implementation of participatory land use planning and mapping that generates a community landscape management plan that will indicate areas for agroforestry development, identify options for specialty product development and infrastructure needs and options for implementing payment for ecosystem services and collaborative forest management (CFM).

D. Alignment, ownership and partnerships

27. Alignment with the Sustainable Development Goals (SDGs) and IFAD.

RECAF will contribute to SDG 1, SDG 2 and SDG 13. The project design reflects three strategic objectives of the COSOP 2019–2025: (i) build up pro-poor and stable value chains leveraging significant investments from the private sector; (ii) enhance and expand financial inclusion for climate-resilient rural livelihoods; and (iii) foster the environmental sustainability and climate resilience of ethnic minorities' smallholder economic activities. RECAF is also aligned with all IFAD12 mainstreaming themes: climate, gender, youth and nutrition.

28. Alignment with national priorities. RECAF is fully aligned with the Government's strategic goals in three key development areas: (i) enabling market-led rural development, (ii) advancing access of the poor to commodity and labour markets, and (iii) increasing the rural poor's capacity to adapt to climate change. These are articulated in the Viet Nam socio-economic development plan (SEDP) 2021–2025 and socio-economic development strategy (SEDS) 2021–2030, the agricultural restructuring plan and the National Target Programme for Climate Change Response and Green Growth 2016–2020 and the Nationally Determined Contribution (NDC) 2020.

29. Partnership. The Fund closely cooperates with other development partners, notably the World Bank, the Asian Development Bank, the European Union, the United Nations Development Programme, the Food and Agriculture Organization of the United Nations, the Kingdom of the Netherlands, the Agence Française de Développement (AFD), the Japan International Cooperation Agency and the German Agency for International Cooperation. IFAD is an active member of the various national sustainable development working groups that advise the Government on salient policy issues to address climate change in the country, including the Central Highland and Southern Central regions.

E. Costs, benefits and financing

Project/programme costs

30. Total project costs are estimated at US\$102.511 million, corresponding to the Vietnamese dong (VND) 2.450 billion, over the six-year implementation period. Physical contingencies amount to US\$2.08 million, corresponding to VND 49.77 billion, and price contingencies to US\$7.25 million, corresponding to VND 173.27 billion.

31. The project will be financed by a GCF grant of US\$35.0 million (34.1 per cent), corresponding to VND 836.50 billion; an IFAD performance-based allocation system (PBAS) loan (loan 1) of US\$25 million (24.4 per cent), corresponding to VND 597.5 billion; an IFAD Borrowed Resource Access Mechanism (BRAM) loan (loan 2) of US\$7.434 million (7.2 per cent), corresponding to VND 177.58 billion; counterpart funds from the provincial governments and MARD of US\$28.64 million (28 per cent), corresponding to VND 684.55 billion; and contributions from the expected beneficiaries of US\$6.44 million (6.3 per cent), corresponding to VND 153.80 billion.

Table 1
Project costs by component and subcomponent and financier
 (Thousands of United States dollars)

<i>Components/subcomponents</i>	<i>GCF</i>	<i>IFAD loan (PBAS)</i>	<i>IFAD loan (BRAM)</i>	<i>Government</i>	<i>Beneficiaries (in-kind)</i>	<i>Total</i>
	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>
A. Component 1/outcome 1: Viet Nam's National REDD+ Action Programme is implemented and integrated into provincial policies and institutional frameworks with improved 4Ps to operationalize REDD+						
Subcomponent 1.1/output 1.1: National REDD+ policies and mechanism upgraded to fulfill all required functions, including afforestation	8 055	-		213	-	8 268
Subcomponent 1.2/output 1.2: Provincial policies, legal and institutional frameworks and stakeholder coordination mechanisms integrated with National REDD+ Action Plan (NRAP)	6 887	-		275	-	7 162
Subtotal	14 942	-		488	-	15 430
B. Component 2/outcome 2: Emissions reductions from AFOLU are generated through 4Ps' deforestation-free value chains and performance-based finance						
Subcomponent 2.1/output 2.1: Deforestation-free value chains developed by 4Ps and increased access to finance	11 976	-		688	-	12 664
Subcomponent 2.2/output 2.2: Deforestation-free value chains and forest restoration infrastructure upgraded and established	560	25 000	7 434	23 719	6 435	63 148
Subcomponent 2.3/output 2.3: Collaborative forest management capacity enhanced through performance-based incentives	6 040	-		411	-	6 451
Subtotal	18 576	25 000	7 434	24 818	6 435	82 263
C. Project management, coordination and monitoring						
Project management	1 482	-		3 337	-	4 819
Total	35 000	25 000	7 434	28 643	6 435	102 512

Table 2

Project costs by expenditure category and financier

(Thousands of United States dollars)

	<i>GCF</i>	<i>IFAD loan (PBAS)</i>	<i>IFAD loan (BRAM)</i>	<i>Government</i>	<i>Beneficiaries (in-kind)</i>	<i>Total</i>
	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>
I. Investment costs						
A. Works	-	25 000	7 434	14 308	6 435	53 177
B. Consultancies, workshops and trainings	-	-	-	-	-	-
Consultancies	8 631	-	-	-	-	8 631
Workshops	5 703	-	-	-	-	5 703
Training	7 019	-	-	-	-	7 019
Subtotal	21 353	-	-	-	-	21 353
C. Goods, services and inputs	5 136	-	-	14 334	-	19 470
D. Grants and subsidies	3 327	-	-	-	-	3 327
E. Vehicles	62	-	-	-	-	62
Total investment costs	29 878	25 000	7 434	28 642	6 435	97 389
II. Recurrent costs	-	-	-	-	-	-
Operating costs	1 708	-	-	-	-	1 708
Salaries and allowances	3 415	-	-	-	-	3 415
Total recurrent costs	5 123	-	-	-	-	5 123
Total	35 000	25 000	7 434	28 643	6 435	102 512

Table 3

Project costs by component and subcomponent and project year

(Thousands of United States dollars)

<i>Components/subcomponents</i>	<i>2025</i>	<i>2026</i>	<i>2027</i>	<i>2028</i>	<i>2029</i>	<i>2030</i>	<i>Total</i>
A. Component 1/outcome 1: Viet Nam's National REDD+ Action Programme is implemented and integrated into provincial policies and institutional frameworks with improved 4Ps to operationalize REDD+							
Subcomponent 1.1/output 1.1: National REDD+ policies and mechanism upgraded to fulfill all required functions, including afforestation	1 324	1 311	2 616	1 632	1 161	223	8 268
Subcomponent 1.2/output 1.2: Provincial policies, legal and institutional frameworks and stakeholder coordination mechanisms integrated with National REDD+ Action Plan (NRAP)	1 559	1 723	966	1 339	974	602	7 162
Subtotal	2 884	3 034	3 582	2 971	2 134	825	15 430
B. Component 2/outcome 2: Emissions reductions from AFOLU are generated through 4Ps' deforestation-free value chains and performance-based finance							
Subcomponent 2.1/output 2.1: Deforestation-free value chains developed by 4Ps and increased access to finance	1 576	2 276	2 415	2 471	2 288	1 639	12 664
Subcomponent 2.2/output 2.2: Deforestation-free value chains and forest restoration infrastructure upgraded and established	15 295	10 841	14 821	22 026	109	57	63 148
Subcomponent 2.3/output 2.3: Collaborative forest management capacity enhanced through performance-based incentives	670	1 561	1 706	1 750	692	72	6 451
Subtotal	17 541	14 677	18 942	26 247	3 089	1 767	82 263
C. Project management, coordination and monitoring							
Project management	3 643	238	254	241	231	210	4 819
Subtotal	3 643	238	254	241	231	210	4 819
Total	24 068	17 950	22 779	29 459	5 454	2 802	102 512

Financing and cofinancing strategy and plan

32. Total IFAD financing in the RECAF financing structure amounts to US\$32.434 million, consisting of two loans: IFAD12 PBAS in the amount of US\$25 million (loan 1) and BRAM in the amount of US\$7.43 million (loan 2) on ordinary terms and a GCF grant of US\$35 million, counterpart funding from the participating provincial governments and beneficiary contributions. In line with Government Decree 114, the IFAD loan will be used exclusively to finance the climate-resilient infrastructure investments under subcomponent 2.2. Most, if not all, domestic funding has been confirmed.
33. RECAF is expected to attract private sector partners interested in investing in deforestation-free supply chains. This will contribute to component 2. Additional resources are also expected to be leveraged as REDD+ result-based payments (RBPs) from different sources, including GCF, the World Bank's Forest Carbon Partnership Fund (FCPF) and the LEAF Coalition for results to be obtained during the period 2023–2030.

Disbursement

34. The IFAD financing agreement will contain only the works expenditure category in accordance with local ODA regulations. The project will utilize GCF grant funds and government counterpart funds to finance soft investments such as training, technical assistance and consultancy-related expenditures. Project funds will be managed by provincial project management units (PMUs) according to government regulations. Multiple implementing agencies (five provinces plus MARD) and six individual financing agreements with each of them will significantly raise transaction costs for IFAD. Furthermore, accurate budgeting and coordination with the Ministry of Finance will be needed to avoid a shortage of funds during project implementation. Using the local treasury system, the Government will transfer IFAD and GCF funds to provincial PMUs in line with the approved annual workplan and budget (AWPB). There shall be one designated account at a commercial bank for each province for the exclusive use of the project. IFAD and GCF funds will be disbursed to dedicated accounts based on quarterly interim financial reports.

Summary of benefits and economic analysis

35. The financial analysis indicates that the proposed activities are viable, and the economic analysis indicates that the project is extremely profitable, with a net present value of US\$786.6 million, corresponding to an economic internal rate of return of 29.8 per cent. The very high return stems from the project's very ambitious target of leveraging beneficiary investments in agroforestry through loans from financial institutions. In particular, the project, with IFAD, GCF and government costs of US\$96.076 million, seeks to support the transformation of monocrop coffee and pepper to agroforestry systems on 145,000 hectares.
36. The total carbon balance for the RECAF project is -6,684,338 tCO₂eq over 12 years (6 years of implementation and 6 years of capitalization), for a total area under analysis of 147,174 hectares. Specifically, the sequestration through changes in land use (afforestation and other land use changes) is -305,232 tCO₂eq; the main carbon sequestration potential comes from agriculture (perennial), with -2,409,108 tCO₂eq, and degradation and management (forest degradation), with -4,002,980 tCO₂eq. The project is a source of emissions in inputs and investments of +32,982 tCO₂eq.

Exit strategy and sustainability

37. RECAF's exit strategy and sustainability are based on the following pillars: (i) building an enabling policy and regulatory environment; (ii) strengthening rural institutions; (iii) establishing coordination mechanisms and partnerships/alliances; (iv) knowledge sharing and capacity-building; and (v) paving the way for performance-based international forest financing to continue investments. Together,

these pillars will ensure that the transition to deforestation-free, climate-resilient rural economic development will continue after project closure.

38. A comprehensive exit and sustainability strategy will be formulated with implementing partners at start-up.

III. Risks

A. Risks and mitigation measures

39. At the project goal level, the greatest risk is external shocks to the policy environment, including rising world commodity prices stemming from the Ukraine conflict. At the national level, sound macroeconomic policies, including market-determined exchange rates, are the principal means of mitigating this risk. The main mitigation measure at the project level is the emphasis on sound financial analysis of project investments, stressing quality, high productivity and low cost per unit of output value.
40. At the objective level, key risks are associated with maintaining stable socioeconomic conditions in the project area and business regulatory systems. The five project provinces are enjoying economic growth that is leading to less poverty, with climate change the biggest socioeconomic risk. RECAF will advance the national NRAP agenda and ensure that all project-financed interventions are based on adaptation and mitigation.
41. At the outcome/output levels, one risk is that there are not enough skilled and efficient contractors and service providers to implement the project in a cost-effective manner. Rigorous screening and investigation of potential contractors prior to engagement can adequately tackle this risk.

B. Environment and social category

42. The proposed environmental and social risk assignment for the project is **Category B**. This proposed risk rating is based on the screening of environmental and social risks and impacts associated with: (i) the type, nature and scale of proposed project activities; (ii) the project's affected stakeholders and the results of stakeholder consultations; and (iii) socioeconomic and environmental settings (covering inherent risks) at the potential project sites.

C. Climate risk classification

43. The climate risk classification for RECAF is **moderate**. The project has been designed explicitly to address issues related to climate-induced risks and impacts through: (i) mitigation activities focused on improved forest management; and (ii) adaptation to climate change through climate-resilient infrastructure and agricultural/agroforestry practices.

D. Debt sustainability

44. Viet Nam has a low overall risk of sovereign stress. Public debt has been falling since 2020 and is projected to further decline, and medium-term risks are also low. Over the longer term, Viet Nam is expected to maintain fiscal prudence and continue 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 fallen to 36.6 per cent of GDP, supported by an improved fiscal balance and strong nominal GDP growth. Current public debt (including that 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. The Government of Viet Nam has appointed the Department of Forests under MARD as the project coordination agency, and the Provincial People's Committees of Gia Lai, Dak Lak, Dak Nong, Lam Dong and Ninh Thuan provinces, respectively, as lead project implementing agencies.
46. Each province will set up a project steering committee (PSC) to lead project coordination. The PSC will provide strategic direction for the implementation of RECAF; oversee project planning, financing and procurement processes; mobilize timely adequate funding for the AWPB; and review progress and reporting on results.
47. A national PMU and five provincial sub-PMUs will be created for RECAF implementation. The national PMU will assist the Department of Forests with project coordination and day-to-day implementation. The five sub-PMUs will be responsible for day-to-day management of RECAF at the provincial level and serve as secretary in PSC meetings.
48. The district and commune people's committees will coordinate project implementation, and their line agencies and mass organizations will be responsible for the execution of project activities. The PMU and sub-PMU staff and contracted technical assistance services will provide technical backstopping and support to RECAF implementation at the district and commune level.

Financial management, procurement and governance

49. **Financial management.** FM arrangements reflect lessons learned from ongoing IFAD-supported projects. The project will be implemented by decentralized PMUs in five provinces and at the MARD. Project FM arrangements will be mainstreamed into the Government's planning and budgeting process and its organizational structure in the five provinces and MARD; the Government's treasury management system will be used for both the allocation of project funds and internal checks and controls; and the Government's modified cash accounting standards will be used for accounting record keeping and reporting. The residual financial management risk is rated as **substantial** before agreed mitigation measures are in place.
50. **Procurement.** Procurement will be carried out pursuant to Procurement Law No. 43/2013/QH13, Decree 63/2014/ND-CP and subsequently updated public procurement regulations, which are assessed as consistent with the latest IFAD Project Procurement Guidelines.
51. **Governance.** IFAD's Policy on Preventing Fraud and Corruption in its Activities and Operations is reflected in IFAD's legal framework,⁴ which applies to all recipients of IFAD financing. Central PMU and provincial sub-PMUs will ensure that all RECAF activities are implemented with transparency.

Target group engagement and feedback and grievance redress

52. RECAF's participatory planning process serves as the starting point for the active participation of stakeholders in planning processes. Free prior and informed consent and an Indigenous Peoples Plan will ensure a feedback mechanism where demands, concerns and risks are voiced and risk-mitigation measures are devised.

Grievance redress

53. The current grievance redress mechanism will be strengthened in accordance with relevant Vietnamese laws and regulations. RECAF grievance mechanisms will be

⁴ Project Procurement Guidelines, General Conditions for Agricultural Development Financing, IFAD's Code of Conduct.

two-tiered: Tier 1 is internal and targets the communities involved, and Tier 2 involves third-party/external mediation.

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

54. The AWPB is the key instrument for project planning and will be based on the formulation of the Provincial REDD+ Action Plan (PRAP), SEDP, value chain action planning and 4P investment plans, using the established participatory approach, as outlined in the PIM.
55. M&E will follow and upgrade existing systems established by previous IFAD-funded projects. IFAD's core indicator system is the backbone of the M&E system, and additional indicators will be added as needed. The project M&E system will be designed to track and verify project output achievement levels, associated outcomes and success in meeting the project objective and development goal.
56. The KM strategy is embedded in the Mekong Hub KM strategy, building on the following key elements: (i) a knowledge management programme to support learning and replicate the project's good practices and lessons learned; and (ii) support for a broader KM programme to inform government decisionmakers and influence innovation scale up and policy development.

Innovation and scaling up

57. The following innovations are expected to be introduced under RECAF: (i) the application of a landscape development approach for rural transformation; (ii) NRAP integrated into SEDPs with a climate-smart value chain support coordination mechanism; (iii) climate-smart infrastructure models; (iv) deforestation-free value chain planning and development; and (v) ICT-based forest fire prevention, forest management and protection, pest control applications and e-marketing.

C. Implementation plans

Implementation readiness and start-up plans

58. IFAD's loan is scheduled for Executive Board approval in December 2024. Government approval and the project's inclusion in the national and provincial investment plans and budget for 2026–2030 are expected to be obtained during the first quarter 2025. Following RECAF approval by IFAD, Provincial People's Committees will proceed to recruit their respective PMUs. The latter will prepare a start-up plan, detailing the activities towards implementation start-up. These include finalization of the draft PIMs, opening of the designated and project accounts, M&E set-up, financial and procurement management and approval of the AWPB and procurement plan for the first 18 months of implementation, as outlined in the design documentation.

Supervision, midterm review and completion plans

59. Viet Nam's IFAD Country Office (ICO) will conduct regular supervision and implementation support missions, following IFAD and GCF guidelines. The ICO will be supported by the regional Financial Management Services Division, Sustainable Production, Markets and Institutions Division, and Environment, Climate, Gender and Social Inclusion Division teams. A midterm survey and midterm review will be conducted during the third year. All missions will be implemented in close partnership with national and local authorities, development partners and other relevant institutions. The central and provincial PMUs will lead the project completion report and be supported by the ICO. Similarly, the project completion report will be preceded by an endline survey and supplemented with stakeholder consultations.

V. Legal instruments and authority

60. 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/recipient. Six financing agreements will be signed as follows: Gia Lai, Dak Lak, Ninh Thuan provinces (represented by the Ministry of Finance as signatory, since both the IFAD loan and GCF grant will be under the same subsidiary agreement and loans are under the mandate of the Ministry of Finance); Lam Dong and Dak Nong provinces (represented by the respective Provincial People's Committees as signatories) and MARD (via the Department of Forests). 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.
61. The Socialist Republic of Viet Nam is empowered under its laws to receive financing from IFAD.
62. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

63. I recommend that the Executive Board approve the proposed financing in terms of the following resolutions:

RESOLVED: that the Fund shall provide a loan on ordinary terms to the Socialist Republic of Viet Nam in an amount of twenty-five million United States dollars (US\$25,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a loan on ordinary terms to the Socialist Republic of Viet Nam in an amount of seven million four hundred thirty-four thousand United States dollars (US\$7,434,000) 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				Means of Verification			Assumptions				
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility					
Outreach	1 Persons receiving services promoted or supported by the project				MIS	Annual	PMU					
	Males - Males	0	24000	60000								
	Females - Females	0	56000	140000								
	Young - Young people	0	64000	160000								
	Indigenous people - Indigenous people	0	24000	60000								
	Total number of persons receiving services - Number of people	0	80000	200000								
	Poor persons receiving services promoted or supported by the project								MIS	Annual	PMU	
	Poor - Number of people	0	33600	84000								

Near poor - Number of people	0	16800	42000				
Vulnerable - Number of people	0	16800 0	420000				
1.a Corresponding number of households reached				MIS	Annual	PMU	
Women- headed households - Households	0	24000	60000				
Non-women- headed households - Households	0	16000	40000				
Households - Households	0	40000	100000				
Corresponding number of poor households reached				MIS	Annual	PMU	
Poor - Households	0	16000	40000				
Near-poor - Households	0	8000	20000				
Indigenous - Households	0	32000	80000				
Vulnerable - Households	0	40000	100000				
1.b Estimated corresponding total number of households members				MIS	Annual	PMU	

	Household members - Number of people	0	16800 0	420000				
Project Goal Reduce GHG emissions from deforestation and forest degradation associated with major agricultural export commodity crops while enhancing livelihoods and reducing poverty in communities.	Decrease in provincial multi-dimensional poverty incidence for four provinces				Outcome & Impact survey, DOLISA report	Benchmark, Mid-term, Final	PMU, DOLISA	Vietnamese Government continues to show its high commitment to international conventions and strategies in REDD+ implementation. Socioeconomic conditions remain reasonably stable in the Project area. Extreme weather and natural disasters are manageable. Macro-economy continues to improve. Business regulatory environment improves. Law and policies on gender, EM are strongly enforced at all levels
	Decrease - Percentage (%)	0	10	20				
	Enhance carbon stocks through forest protection and absorption of CO2				Outcome & EX-ACT, MIS	Benchmark, Mid-term, Final	PMU	
	Forest protection - Area (ha)	0	80000	140000				
Absorption (MtCO2e) - Tons	0	2	6					
Development Objective Empower and strengthen adaptive capacity of target communities and institutions to better contend with climate change.	Smallholder households report increased resilience to climate, environmental and economic shocks of > 20% by P, V, S, A, EM				Outcome & Impact survey, DOLISA report	Benchmark, Mid-term, Final	PMU, DOLISA	Provincial governments committed to PRAP, SEDP. Law and policies on gender and EM are strongly enforced at all levels
	% - Percentage (%)		20	50				
	Number - Number		15000	30000				

<p>Development Objective Mainstream REDD+ into the Agricultural, Forestry and Other Land Use (AFOLU) sector relevant policies, planning, and investment at national, provincial and local levels for enhancement of livelihoods and resilience of communities.</p>	<p>NRAP updated by the project mid-term addressing benefit sharing and PFES, land tenure, private sector involvement, and effective emission monitoring and evaluation.</p>			<p>Outcome survey based on score card indicators adapted to project intervention</p>	<p>Benchmark, Mid-term, Final</p>	<p>PMU</p>	<p>Provincial governments committed to PRAP, SEDP. Law and policies on gender and EM are strongly enforced at all levels</p>
	Number	- 0	1				
<p>Outcome 1. Creating an enabling environment to reduce emissions from deforestation, enhance carbon stocks and adapt to climate change</p>	<p>Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment</p>			<p>Outcome survey</p>	<p>Annual at mid-term</p>	<p>PMU</p>	<p>Provincial governments committed to prov. & regional participatory integrated market-led socio-economic development planning and RAP. Provincial authorities maintain ARD and forestry development as priority sector for Provincial investment</p>
	Number	- 0	2				
	<p>SF.2.1 Households satisfied with project-supported services</p>			<p>Outcome survey</p>	<p>Benchmark, Mid-term, Final</p>	<p>PMU</p>	
	Household members - Number of people	0	160000				

	Indigenous households - Households	0	32000	56000				
	Households (%) - Percentage (%)	0	40	70				
	Households (number) - Households	0	40000	70000				
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers				Outcome/MIS	Benchmark, Mid-term, Final	PMU	
	Indigenous households - Households	0	24000	56000				
	Households (%) - Percentage (%)	0	30	70				
	Households (number) - Households	0	30000	70000				
	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices				Outcome survey	Annual at Mid term	PMU	
	Total number of household members -	0	120000	280000				

	Number of people						
	Households - Percentage (%)	0	30	70			
	Women-headed households - Households	0	18000	42000			
	Households - Households	0	30000	70000			
	3.2.1 Tons of Greenhouse gas emissions (tCO2e) avoided and/or sequestered						
	Hectares of land - Area (ha)	0		144805			
	tCO2e/20 years - Number	0		-6684338			
	tCO2e/ha - Number	0		46.16			
	tCO2e/ha/year - Number	0		-3.85			
	1.2.9 Households with improved nutrition Knowledge Attitudes and Practices (KAP)						
	Indigenous households - Households						

	Women-headed households - Households						
	Households (number) - Households						
	Households (%) - Percentage (%)						
	Household members - Number of people						
Output 1.1. Improved provincial policies and coordination to reduce deforestation and adapt to climate change.	Policy 1 Policy-relevant knowledge products completed	MIS	Annual	PPCs/PMU	Provincial governments committed to prov. & regional participatory integrated market-led socio-economic development planning and RAP. Provincial authorities maintain ARD and forestry development as priority sector for Provincial investment.		
	Number - Knowledge Products	0	8	10			
	Policy 2 Functioning multi-stakeholder platforms supported	MIS	Annual	PMU			
	Number - Platforms	0	5	5			
Output 1.2. Improved national policies and capacity to implement and	Policy 1 Policy-relevant knowledge products completed	MIS	Annual	PMU	Provincial governments committed to prov. & regional participatory integrated market-led socio-economic development planning and RAP. Provincial authorities maintain ARD and forestry		
	Number - Knowledge Products	0	5	5			
	REDD+ MIS with community engagement operational and meeting	MIS	Annual	PMU			

invest REDD+ in	requirements of international forest financing mechanisms							development as priority sector for Provincial investment.
	Number of MIS - Number	0		1				
	REDD+ Safeguard Information System operational				MIS	Annual	PMU	
	Number of system - Number	0	0	1				
	NRAP updated by the project-mid-term addressing benefit sharing and PFES, land tenure, private sector involvement and effective emission monitoring and evaluation				MIS	Annual	PMU	
	Number of NRAP - Number	0	0	1				
Outcome 2. Measures to reduce deforestation, promote sustainable agriculture and enhance climate resilience & nutrition implemented	1.2.8 Women reporting minimum dietary diversity (MDDW)				MIS	Annual	PMU	Government completes the regulatory framework for private sector involvement in REDD+. NRAP, Project financing is disbursed in time to support field implementation. Co-financed beneficiaries capable of providing their contribution. Adequate skills base amongst local service providers. Private investors are interested in investing in business opportunities in smallholders agriculture along
	Women (%) - Percentage (%)	0	20	50				
	Women (number) - Females	0	40000	100000				
	Households (%) - Percentage (%)	0	20	50				

Households (number) - Households	0	20000	50000				conditions promoted by the programme. Local enterprises are able to finance their part of the investment facility. Valid agricultural innovations available from research institutions and private sector.
Household members - Number of people	0	80000	200000				
Indigenous - Indigenous people	0	32000	80000				
Women-headed households - Households							
Smalholder households report increased resilience of climate, environmental and economic shocks of >20% disaggregated by P, V, S, A, EM				Outcome survey	Annual at Mid-term	PMU	
Households - Number	0	20000	50000				
2.2.3 Rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities				MIS	Annual	PMU	
Number of POs - Organizations	0	300	704				
1.2.5 Households reporting using rural financial services				Outcome survey/MIS	Annual	PMU	

	Total number of household members - Number of people	0	80000	160000				
	Households - Percentage (%)	0	20	40				
	Households - Households	0	20000	40000				
Output 2.1. Deforestation free commodities and nutritive sensitive niche product value chains developed with improved access to credit.	Number of district and commune-level 4P platforms implementing VC action plans				MIS	Annual	PMU	Policies on CFM and PFES are strongly enforced at all levels. Provincial Governments are committed to implement CFM and PFES. Communities and households are interested in CFM and PFES.
	Number of platforms - Number	0	48	72				
	1.1.8 Households provided with targeted support to improve their nutrition				MIS		PMU	
	Total persons participating - Number of people	0	40000	100000				
	Males - Males	0	16000	40000				
	Females - Females	0	24000	60000				
	Households - Households	0	20000	60000				

	Household members benefitted - Number of people	0	80000	240000				
	Indigenous people - Indigenous people	0	40000	120000				
	Young - Young people	0	32000	96000				
Output 2.2. Climate resilient infrastructure established and operated for deforestation-free value chains and forest protection activities	1.1.2 Farmland under water-related infrastructure constructed/rehabilitated				MIS	Annual	PMU	Government completes the regulatory framework for private sector involvement in REDD+. NRAP, Project financing is disbursed in time to support field implementation. Co-financed beneficiaries capable of providing their contribution. Adequate skills base amongst local service providers. Private investors are interested in investing in smallholders agriculture along conditions promoted by the programme. Local enterprises are able to finance their part of the investment facility. Valid agricultural innovations available from research institutions and private sector.
	Hectares of land - Area (ha)	0	8000	12000				
	2.1.5 Roads constructed, rehabilitated or upgraded				MIS	Annual	PMU	
	Length of roads - Km	0	80	170				

Output 2.3. Collaborative forest conservation and management enhanced with effective benefit sharing	# hectares for which performance-based PFES provides incentives to conserve or restore forest			MIS	Annual	PMU	Policies on CFM and PFES are strongly enforced at all levels. Provincial Governments are committed to implement CFM and PFES. Communities and households are interested in CFM and PFES.
	Hectares of land - Area (ha)	0	0	40000			
	# hectares of forestland under effective and sustainable community or collaborative forest management			MIS	Annual	PMU	
	Hectares of land - Area (ha)	0	0	15000			

Integrated Project Risk Matrix

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	Moderate	Low
Political Commitment	Substantial	Substantial
Governance	Low	Low
Macroeconomic	Moderate	Moderate
Fragility and Security	Moderate	Moderate
Sector Strategies and Policies	Moderate	Moderate
Policy alignment	Moderate	Moderate
Policy Development and Implementation	Low	Low
Environment and Climate Context	Substantial	Substantial
Project vulnerability to environmental conditions	Moderate	Moderate
Project vulnerability to climate change impacts	Substantial	Substantial
Project Scope	Moderate	Moderate
Project Relevance	Low	Low
Technical Soundness	Substantial	Substantial
Institutional Capacity for Implementation and Sustainability	Low	Low
Implementation Arrangements	Low	Low
Monitoring and Evaluation Arrangements	Low	Low
Project Financial Management	Substantial	Substantial
Project Organization and Staffing	Substantial	Substantial
Project Budgeting	Substantial	Substantial
Project Funds Flow/Disbursement Arrangements	High	High
Project Internal Controls	Substantial	Substantial
Project Accounting and Financial Reporting	Substantial	Substantial
Project External Audit	Moderate	Moderate
Project Procurement	Moderate	Moderate
Legal and Regulatory Framework	Moderate	Moderate
Accountability and Transparency	Low	Low
Capability in Public Procurement	Moderate	Moderate
Public Procurement Processes	Moderate	Moderate
Environment, Social and Climate Impact	Moderate	Moderate
Biodiversity Conservation	Moderate	Moderate
Resource Efficiency and Pollution Prevention	Moderate	Moderate
Cultural Heritage	Low	Low
Indigenous People	Low	Low
Labour and Working Conditions	Low	Low
Community health, safety and security	Low	Low
Physical and Economic Resettlement	Moderate	Moderate
Greenhouse Gas Emissions	Moderate	Moderate
Vulnerability of target populations and ecosystems to climate variability and hazards	Substantial	Substantial
Stakeholders	Low	Low
Stakeholder Engagement/Coordination	Low	Low
Stakeholder Grievances	Low	Low
Overall	Substantial	Substantial

Country Context	Moderate	Moderate
Political Commitment	Substantial	Substantial
<p>Risk:</p> <p>At the project main objective/goal level, there is risk of external shocks to the macro-economy increasing world commodity prices as a consequence of the Ukraine conflict and Middle East crises. This risk of external shocks is always present in a relative open economy such as that of Viet Nam, particularly with the high proportion of income being derived from export revenue. These shocks could influence the Government's commitment to provide the resources for implementation of the NTPs and the climate change adaptation and mitigation policies and risk the transition to deforestation-free value chains that target international markets.</p>	Substantial	Substantial
<p>Mitigations:</p> <p>At the national level, sound macro-economic policies, including smart governance are the main means of mitigating the risk. The main mitigation measures at the project and enterprise levels are the emphasis on sound financial analysis of project investments, with emphasis on quality and high productivity and low cost per unit of output value. Agreements on funding targets and modality are included in the design report and financing agreement will include explicit text in the Financing Agreement on counterpart funding, including district levels and loan recovery.</p>		
Governance	Medium	Medium
<p>Risk:</p> <p>Governance systems are in place and function relatively well in Vietnam but the relatively weak private business environment in the project provinces that might exclude agribusinesses from participating in the zero deforestation value chains.</p>	Medium	Medium
<p>Mitigations:</p> <p>Provincial governments (PPCs) have agreed to work with the project to create more favorable business environment, including benchmarking their provincial performance against provinces having high competitiveness indices.</p>		
Macroeconomic	Moderate	Moderate
<p>Risk:</p> <p>The external shocks to the macro-economy have important prominence. This risk is ever present in a relatively open economy such as that of Viet Nam, particularly with the high proportion of income being derived from export revenue. This is a significant risk for RECAF since the project is dealing with zero-deforestation value chains that target international markets.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>At the national level, sound macro-economic policies, including market determined exchange rates are the main means of mitigation of this risk. The main mitigation measures at the Project and enterprise levels are the emphasis on sound financial analysis of Projects, with emphasis on quality and high productivity and low cost per unit of output value.</p>		
Fragility and Security	Moderate	Moderate
<p>Risk:</p> <p>Key risks are associated with that of the maintenance of stable socio-economic conditions in the project area and with business regulatory systems. The five provinces targeted by RECAF are enjoying economic growth leading to reduced poverty, with the biggest socio-economic risk associated with climate change.</p>	Moderate	Moderate

Mitigations: RECAF will advance the national agenda for NRAP and will ensure that all project-financed interventions are based on adaptation and mitigation. Government institutions are also well organized and experienced in mitigating disasters. RECAF integrated mitigation and adaptation approach will also help address various economic and environmental shocks.		
Sector Strategies and Policies	Moderate	Moderate
Policy alignment	Moderate	Moderate
Risk: Viet Nam has become a lower middle-income country, graduating to less concessionally in ODA in-flows from IDA-terms in 2017. The Government has put in place new policies on ODA financing (Decree 114/2021) that reflect the new context but that require that IFAD can adapt its investment approach in the country.	Moderate	Moderate
Mitigations: Project design is fully aligned with the Vietnam's Agricultural Restructuring Plan, the New Rural Development Programme and the NTP for Ethnic Minorities to which non-lending resources will be significantly mobilized from these programmes. RECAF will be the second project negotiated with the Government of Vietnam under the new ODA policies following EB approval of CSAT in December 2021.		
Policy Development and Implementation	Low	Low
Risk: A key risk for project implementation is weak coordination for implementing key policies such as NTPs, REDD+, and others. In addition, there are insufficient skilled and efficient contractors and service providers to implement the project in a cost-effective manner, especially in the context of REDD+ related activities.	Low	Low
Mitigations: RECAF promotes strong institutional linkages through the integrated NRAP – SEDP (Socio Economic Development Planning) process in the project areas which is instrumental to coordinate, mobilize, and converge both capacity and resources for implementation of the project and achievement of the project's goals and objectives. Rigorous screening and investigation of potential contractors prior to engagement can tackle this risk adequately. The experience gained by IFAD in Viet Nam and the project provinces (Gia Lai, Dak Nong, and Ninh Thuan) in this respect remains vital.		
Environment and Climate Context	Substantial	Substantial
Project vulnerability to environmental conditions	Substantial	Substantial
Risk: The proposed environmental and social risk assignment for the project is "Category B". This risk rating is proposed based on the screening of ES risks and impacts associated with the: (i) type, nature and scale of proposed project activities; (ii) project's affected stakeholders and results from stakeholder consultations; and (iii) socio-economic and environmental settings (covering inherent risks) of the potential project sites.	Substantial	Substantial
Mitigations: Based on the screening, the project design team prepared a(n): (i) Environmental and Social Management Framework (ESMF, Annex 6A); (ii) Indigenous Peoples Plan (IPP, Annex 6B); (iii) Gender Assessment (including the accompanying Gender Action Plan, Annex 8); and (iv) Stakeholder Engagement Plan (SEP, Annex 7). The instruments describe and respond to the assessed environmental and social impacts/risks, as well as related feedback obtained during field visits, household surveys, key informant interviews, and focus group discussions with project stakeholders (Annex 7). Quantitative and qualitative data collected through primary and secondary sources were used to assist the analysis.		
Project vulnerability to climate change impacts	Substantial	Substantial

Risk: Climate change adaptation and mitigation measures are urgently required in the five provinces targeted by RECAF with a focus on inclusion of ethnic minorities.	Substantial	Substantial
Mitigations: RECAF will support the implementation of the policies and measures which have been prioritized in the National Action Program on REDD+ 2011-2020 (NRAP) approved in 2012 and updated in 2017 for the period up to 2030, and which provides the country's framework for REDD+ implementation, in line with UNFCCC decisions and guidance. The project aims to facilitate an economically viable transition to sustainable forest management, deforestation-free value chains and climate resilient livelihoods, with specific focus on forest dependant communities and ethnic minorities.		
Project Scope	Moderate	Moderate
Project Relevance	Low	Low
Risk: RECAF is not responding adequately to key challenges and related, recent policies on the climate change and REDD+.	Low	Low
Mitigations: RECAF is aligned with the NDC through the land use planning activities, better capacity for forest protection, protection through the jurisdictional approach to deforestation-free supply chain management of major commodities, and development of agroforestry and through enhancing the resilience of the target beneficiaries.		
Technical Soundness	Moderate	Moderate
Risk: RECAF aims to facilitate an economically viable transition to sustainable forest management, deforestation-free value chains, agroforestry systems and climate resilient livelihoods. This transition faces a number constraints, such as (i) policy and institutional gaps for implementing REDD+ at provincial level, e.g. lack of interdepartmental, cross-sectoral and public-private coordination and lack of a monitoring system to report emission reduction results (ii) inequitable distribution of costs and benefits of forest protection and conservation (iii) lack of secured land tenure and (iv) lack of incentives for private sector action and lack of access to long-term credit products for mitigation and adaptation investments.	Substantial	Substantial
Mitigations: RECAF has integrated lessons learned from the REDD+ in the design: (i) the core of a successful REDD+ strategy is effective planning and investment; with clearly defined, locally agreed objectives, (ii) provide appropriate incentives for better forest management (or disincentives for forest destruction); and (iii) incentives come in various forms, including through access to more secure tenure over land and resources, assistance for market and financial access and/or through benefits from domestic PES schemes. In addition, management and coordination structures in the provinces are well established and capable of drawing attention and commitment of PPC to the sufficient allocations of IFAD project funds, and pre-financing of eligible project expenditures.		
Institutional Capacity for Implementation and Sustainability	Low	Low
Implementation Arrangements	Low	Low
Risk: Lack of adequate inter-provincial and inter-sectoral coordination to implement some of project proposed activities, such as the Regional integrated planning, Convergent Value Chain planning. The instruments are new to various departments/agencies which may not have the required capacity.	Low	Low

Mitigations: Project design includes a strategy for implementation arrangements with MOU/contract signed with relevant agencies/departments to fulfil their obligations to the project activities. RECAF implementation arrangements follow the Government Decree 114/2021 on ODA management in Viet Nam and the proven structure used in all IFAD-funded projects in the country. It takes on board a number of additional functions in order to respond to the Government, IFAD and GCF policies, including risk management, policy engagement, facilitating private sector linkages and partnerships, M&E and knowledge management.		
Monitoring and Evaluation Arrangements	Low	Low
Risk: Inadequate M&E system for planning and monitoring.	Low	Low
Mitigations: M&E system is embedded in the project management information system (MIS). It integrates information on project management, financial management, procurement and physical progress. It allows reporting in real time and serves as a platform for the large number of co-implementing agencies.		
Project Financial Management	Substantial	Substantial
Project Organization and Staffing	Substantial	Substantial
Risk: All provinces have identified FM staff who will work on RECAF, most of whom are experienced in IFIs-funded operations. However, FM staff does not have adequate exposure to new IFAD FMD rules, including report-based disbursement requirements.		
Mitigations: IFAD will provide additional hands-on training and support before the project implementation start and during the implementation.		
Project Budgeting	Substantial	Substantial
Risk: Separate AWPB for each province and MARD must be prepared and approved. In addition, internal government budget regulations are not flexible in introducing amendments to the approved budget during the year when needed.		
Mitigations: Local consultants will be recruited to handle the increased workload. The project will have dedicated staff at the Coordination Unit (CU) with the required skills to address all challenges.		
Project Funds Flow/Disbursement Arrangements	Substantial	Substantial
Risk: PMUs do not have enough experience in IFAD's new report-based disbursement requirements. Local regulations on payment processing and approval are complex and time-consuming.		
Mitigations: IFAD will provide additional hands-on training and support before the project implementation start and during the implementation. PMUs will develop special rules for payment processing and approvals with specific deadlines for each payment processing step and monitor their practical implementation.		
Project Internal Controls	Substantial	Substantial
Risk: The project must comply with internal government, IFAD, and GCF regulations. Internal audit practices within government institutions are not in compliance with international best practice standards.		
Mitigations: PIM will be developed to consolidate all relevant policies and procedures. Private consultants will be recruited to assess the internal control framework of the PMUs.		
Project Accounting and Financial Reporting	Substantial	Substantial

Risk: PMUs do not have readily available accounting software for the project. • All PMUs will need to meet reporting requirements of the government, IFAD, and GCF		
Mitigations: All provinces will procure and customize accounting software for the project needs. The software will need to maintain accounting records on double-entry bookkeeping principles. The accounting systems will be customized to generate GCF (expenditures split by funding source, expense category, components, subcomponents, and activities), IFAD, and government-required reports		
Project External Audit	Moderate	Moderate
Risk: SAI of the country do not audit IFAD-funded project.		
Mitigations: Private sector auditors will be selected for the annual audit of the project financial statements.		
Project Procurement	Moderate	Moderate
Legal and Regulatory Framework	Moderate	Moderate
Risk: The Borrower's regulatory and institutional capacity and practices (including compliance with the laws) are adequate 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) and thresholds for applying direct contracting, and regulations on sustainable procurement.	Moderate	Moderate
Mitigations: Periodically review the application of procurement procedures inference to the law and regulations. Review and clear project procurement plan (consolidated) encouraging the use of competitive procurement methods. Provide consolidated procurement information on project website (opportunities and awards). Mainstream SECAP requirements and ESCMF into project/sub-projects implementation.		
Accountability and Transparency	Low	Low
Risk: There are some constraints on engagement of civil society in the consultative process for procurement policy development, provisions on fraud, corruption and other prohibited practices in consistence with IFAD policies.	Low	Low
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. Conduct prior and ex-post reviews to strengthen enforcement of the debarment system. Enforcing legal protection or whistle-blower protection.		
Capability in Public Procurement	Moderate	Moderate
Risk: Limited English skills of project staff including procurement staff. Newly recruited project staff might not be familiar with IFAD procurement policies and procedures.	Moderate	Moderate

<p>Mitigations: Retain procurement professionals to support full time and intermittently. Interpreters will be recruited for each PMU at the project provinces. Provide training and periodic coaching to project staff (IFAD project procurement guidelines and manual, ICP, the Law and regulations on public procurement, e-Procurement, BUILDPROC procurement training program). Encourage participation of the procurement officers in certification courses offer by MPI</p>		
Public Procurement Processes	Moderate	Moderate
<p>Risk: There are often constraints in budget allocation against the AWPB that budget funds are not always appropriated in a timely manner and cover the full amount of the annual planned activities. Procurement processes (planning, bidding, contract award and contract implementation) are often delayed.</p>	Moderate	Moderate
<p>Mitigations: Monitor and update regularly the AWPB and the procurement plan, and their implementation progress with both planned and actual data. Monitoring closely contract implementation progress with periodic progress reports and follow-up actions which includes management of physical and financial progress through ICP CMT</p>		
Environment, Social and Climate Impact	Moderate	Moderate
Biodiversity Conservation	Moderate	Moderate
<p>Risk: Encroachment on protected forest areas</p>	Moderate	Moderate
<p>Mitigations: This risk is being mitigated directly through the project design, as one of the risks inherent to the project area which the project aims to address. Specifically, local communities will be provided with community forest management opportunities that respect and encourage biodiversity and forest health through deforestation free value chains (particularly under Component 2, Activities 2.1, 2.2, and 2.3). Thus, the mitigation strategy is the project's support to community-based land use planning and allocation process, including: (i) collection of information & secondary data; (ii) definition of the present land use situation; (iii) assessment of land capability and vulnerability to natural disaster; (iv) preparation of the land use plan and proposed land use maps; and (v) submission of the proposed land use plan to commune and District People's Committees (DPC) for approval.</p>		
<p>Risk: Disruption to ecological flows (migratory fish, water) with the development of small reservoirs</p>	Moderate	Moderate
<p>Mitigations: Prior to construction and/or implementation, an assessment of biodiversity in the area and reliance of upstream/downstream water users must be conducted to identify instances when/where fish ladders need to be included and/or communities need to be consulted on changes in timing and flow of the water.</p>		
Resource Efficiency and Pollution Prevention	Moderate	Moderate
<p>Risk: 1) Erosion and run-off to water bodies during earthworks & construction; 2) Temporary pollution from construction; specifically: dust, noise, vibrations, waste & wastewater generation from workers' campsites, etc.; 3) Potential water pollution from sourcing aggregates and construction materials like soil and gravels; 4) Increased water consumption during construction activities; 5) Potential increase in pesticide use</p>	Moderate	Moderate

<p>Mitigations:</p> <p>1) Site specific ESMPs – or an Environmental Code of Practice (ECOP) – will include water & wastewater management protocols, including interventions to divert or slow the movement of water (reducing erosion), and construction contracts will include clauses on safeguards compliance (particularly the development and implementation of related ESMPs).</p> <p>2) ESMPs (or ECOPs) must include a section on waste management (as well as water & wastewater management protocols) to minimize waste production & ensure efficient and safe handling for proper transfer and eventual disposal. The ESMP (or ECOP) will also include mitigation measures for site-specific concerns, for example:</p> <ul style="list-style-type: none"> - occasional spraying of the area to reduce dust; - limiting hours of construction to reduce unfavourable noise and/or vibration(s) experienced by neighbouring communities - waste management & water/wastewater management protocols <p>3) Where possible, utilize silt fencing or filter socks to control sediment and reduce water pollution; define, within the ESMP (or ECOP) and construction proposal measures to separate and either (i) treat; or (ii) safely dispose of polluted water (e.g. transfer to a treatment facility)</p> <p>4) Within the water/wastewater section of the ESMP (or ECOP) and related construction proposal, specify the expected water requirements and water sourcing plans, with an effort to keep consumption at a minimum; sensitize workers on the need to conserve water where possible and on frugal management of water during the construction activities;</p> <p>5) The risk of increased pesticide use will be minimized through the project’s training for farmers on good production/good agricultural practices and utilizing integrated pest management (which improve the market price of produce at market).</p>		
Cultural Heritage	Low	Low
<p>Risk:</p> <p>Project’s construction activities might physically affect ethnic minorities’ sites of archaeological, historical, cultural, artistic, and religious significance, and/or unique environmental features, cultural knowledge, as well as intangible forms of culture embodying traditional lifestyles.</p>	Low	Low
<p>Mitigations:</p> <p>Construction activities are managed by project’s contractors through environmental and social management procedures set forth in project’s ESMF. A Chance Finds Procedure is in place for contractors to address the possibility of archaeological deposits becoming exposed during ground altering activities within the project area. ESMF has a protocol to follow in the case of a chance archaeological find to ensure unknown archaeological sites are not disturbed until an assessment by a competent specialist is made and actions consistent with the requirements are implemented.</p>		
Indigenous People	Low	Low
<p>Risk:</p> <p>Risk of social, or economic impacts on the non-Kinh ethnic group, including threats to or the loss of resources of historical or cultural significance.</p>	Low	Low

<p>Mitigations: The approach to the non-Kinh ethnic groups is consistent with IFAD's policy on ethnic minorities. FPIC consultation will be adopted for targeting of ethnic minority groups. Cultural differences will dictate the approach adopted. Local languages will be used in all village meetings, planning and extension sessions. Community meetings will be organized in a manner that is appropriate culturally to each of ethnic minority groups being affected by potential project activities. District teams responsible for implementation will reflect gender balance, and their members will have command of ethnic languages. Capacity building tools will be developed in the languages of the main ethnic groups that have written characters and take into consideration cultural differences. Ethnic verbal languages will be used during project planning, discussions, trainings, etc. as preferred by affected ethnic minority groups. Special efforts will be made to recruit project extension agents speaking ethnic groups languages and in mobilizing and mentoring students from the ethnic schools.</p>		
<p>Risk: Exclusion of disadvantaged/ vulnerable groups from project planning, implementation and receiving socioeconomic benefits from the project. For instance vulnerable/disadvantaged people, such the poor, ethnic minority peoples, women, elderlies, etc., may be excluded from accessing temporary employment opportunities, such as those offered by construction contractors. People with disabilities may be excluded from appropriate access to road facilities. The road is not designed for safe crossing at intersections by local people with limited eyesight or difficulties with walking.</p>	Low	Low
<p>Mitigations: An IP Plan has been prepared for the project (Annex 6B). This aims to ensure ethnic minorities, including vulnerable groups within the ethnic minority community such as women, elderlies, are included in project planning and implementation to receive project benefit. A template for annual IPP (to be used by provincial PMUs) is included in IPP to facilitate annual IPP planning, including monitoring target achievement. See also the Gender Assessment (including the accompanying Gender Action Plan (Annex 8) and the Stakeholder Engagement Plan (Annex 7).</p>		
<p>Labour and Working Conditions</p>	Low	Low
<p>Risk: Child labour, forced labour</p>	Low	Low
<p>Mitigations: All contractors, subcontractors are required, as part of the work contracts, to ensure peoples under 18 years of age will not be hired for sub-project's construction works. In all contracts between PMU and contractors, there shall be provisions that require compliance with the minimum age requirements, including penalties for non-compliance. Contractors will be required to maintain a labour registry for all contracted workers with supporting documents confirming workers' age. Actions by contractors and subcontractor for child labour and forced labour prevention will be reflected in contractors' site-specific ESMPs and will be reviewed and approved by PMU prior to contractor's mobilization to sub-project site.</p>		
<p>Risk: Overtime working, poor working conditions, temporary workers (e.g. local workers, including IP workers, engaged by contractors are underpaid for the nature, scope, and quantity of work that they undertake).</p>	Low	Low

<p>Mitigations: All contractors and subcontracts will be required (in Work Contract) to observe the regulations specified in Vietnam Code of Labour (2019) on labour management and labor working condition. These will include, among others, requirements for contractors as employers to observe requirements of working conditions for their workers, such as work time, overtime, leaves, compensation, compensation for overtime, and mode of compensation. Contract with workers that is at least one month long is subject to registration for social insurance (in accordance with the Law of Social Insurance 2014). Contractors will be required to sign contracts with all seasonal IP workers, if any, as if they work more than one month. This aims to protect seasonal IP workers from about mentioned risks due to lack of a working contract.</p>		
<p>Risk: Occupational Health and Safety (OHS): Labour related accidents on the part of persons, especially vulnerable persons, who worked for project contracted construction companies</p>	Moderate	Moderate
<p>Mitigations: 1) The requirements for contractors to identify Occupational Health and Safety (OHS) risks and provide remedies for non-compliance will be included in all procurement documents of PMU. 2) All contractors are required to conduct OHS training to raise awareness of OHS and promote application of good OHS practices prior to mobilizing all workers to construction sites. 3) Where required, based on risk assessment at activity level, contractors will be required to engage qualified OHS staff to be in charge of OHS issues, including provision of training of workers, monitoring of OHS risks and proposed updated preventative measures.</p>		
Community health, safety and security	Low	Low
<p>Risk: Overuse of agrochemicals such as chemical pesticides and fertilizers for enhanced agricultural production which affects farmers' health, water resources, soil, and food safety.</p>	Moderate	Moderate
<p>Mitigations: Trainings on good agricultural practices, including appropriate use of agrochemicals and pesticide residual management will be provided. Traditional pest management practices that are environmentally benign and have been adopted by local IPs and are appropriate for select value chains will be encouraged/leveraged. Food safety and international standards/certification are included from value chain planning with strict monitoring and evaluation. Awareness raising activities will be conducted regularly to inform IPs of project's social risks, including mitigation measures that project and affected IPs will take to minimize such risks, or address/resolve if such risks happen.</p>		
<p>Risk: Presence of unexploded ordinances (UXOs) at project sites (mostly construction sites, but could include any areas not regularly traversed).</p>	Low	Low
<p>Mitigations: For UXOs, in particular, identification and removal (if any) would be done by experts as part of site clearance prior to commencing any activities on the project sites. Safety risks related to UXOs are considered low to moderate, since most of the construction subprojects will not occur on previously untouched/undeveloped land; however, a UXO risk assessment will be conducted for all the subproject sites where UXOs are considered a potential hazard, and UXO clearance (if needed) will be carried out by qualified agencies. Construction activities will not be allowed prior to UXO clearance.</p>		
<p>Risk: Temporary traffic blocks and related safety issues during construction and operation.</p>	Low	Low

Mitigations: Clear signage will be installed around the project site for safety, with a reasonable notice period (e.g. 24h or more) based on the local regulations/requirements. A detour will be made available for local traffic.		
Risk: Sexual Abuse and Exploitation/Sexual (SEA/SH)	Low	Low
Mitigations: Conduct annual awareness raising events to sensitise a) provincial PMUs, b) contractors, c) local community and authorities, d) local health care services and SEA/SH service providers. This will be mainstreamed to relevant annual meetings at community level to reduce cost and time. All project contractors will be required to have a Contractors' Labour Management Procedures in place – as part of their site-specific ESMP. Contractors must have a social Code of Conducts for their workers and managers and train their staff and workers. To facilitate monitoring, performance indicators will be set to enable contractors and provincial PMUs to monitor social Code of Conducts implementation. Local government will also help disclose the social code of conduct at commune and village's public billboard in local language(s) to promote wide access to community members in subproject areas, particularly vulnerable group such as women, children and youth.		
Risk: Health risks such as risks of contracting of, and spreading of communicable diseases (e.g. COVID-19, STD), and other non-communicable diseases associated with labour influx.	Low	Low
Mitigations: Contractors, including subcontractors, shall be required to undertake health related measures – as specified in Contractors' Work Contract, to reduce the risk of contracting/spreading communicable diseases among contractors' workers and between contractor and local people.		
Risk: Malfunction of small reservoirs	Moderate	Moderate
Mitigations: This risk will be mitigated through proper environmental and social assessment prior to design, and involvement of experienced irrigation engineers during the design and construction of the proposed small reservoirs, including reference to IFAD's guidance on dam safety, as needed.		
Physical and Economic Resettlement	Moderate	Moderate
Risk: Involuntarily displaced households due to infrastructure construction.	Moderate	Moderate
Mitigations: RECAF invests in small and climate resilient infrastructure and will avoid any investments that may cause physical resettlement. Exclusion criteria to be used include exclusion of any infrastructure scheme that requires physical resettlement of more than 20 people per scheme, or affect more than 10 percent (in value term) of assets of an individual household. There will be no forced displacement. FPIC and Grievance Redress are included in the ESMF and site-specific ESMP will be formulated for sub-projects to ensure communities are encouraged to raise their voices and complaints in a fashion that is timely and culturally appropriate.		
Greenhouse Gas Emissions	Moderate	Moderate
Risk: Inherent risk associated with changing climate in the project area, introducing more extreme events, floods, droughts, and saline intrusion, specifically the sustainability and resiliency of project activities/interventions (e.g. infrastructure).	Moderate	Moderate

Mitigations: To address issues of climate-induced risks and impacts, RECAF has been designed to mitigate climate change through improved forest management and adapt to climate change through climate-resilient infrastructure and agricultural/agroforestry practices. To accomplish this, infrastructure design and forest management/agricultural and agroforestry practices must be informed by climate projection and not only immediate needs.		
Vulnerability of target populations and ecosystems to climate variability and hazards	Substantial	Substantial
Risk: The project's target groups such as the poor and those whose livelihoods are highly vulnerable to climate, and therefore may face problems resulting from increasing climate variability and hazards (i.e., sea level rise, SWI, storms, long-lasting/heavy rains, and landslides, etc.).	Substantial	Substantial
Mitigations: The project is designed to explicitly address climate vulnerabilities and improve resilience of climate-vulnerable communities through improved agricultural and agroforestry practices and more climate-resilient livelihoods, supporting both in terms of climate mitigation (reducing future risks) and adaptation (responding to existing/expected risks).		
Stakeholders	Low	Low
Stakeholder Engagement/Coordination	Low	Low
Risk: Selected value change commodities exclude poor households; lack of consultation/ inclusion of perspectives of rural households, especially vulnerable/disadvantaged households (ethnic minorities, women, youth, elderly, people with disabilities, children).	Low	Low
Mitigations: Project-level strategic investment planning process, (i) pre-identification of potential for involving vulnerable/ disadvantaged rural households in incremental production & job creation; (ii) analysis of conditions and requirements to optimize participation of vulnerable/ disadvantaged rural households; Process integrating strong "bottom-up" commune and district-level participatory processes to capture local knowledge and understanding of impacts, risks, vulnerabilities, and development priorities, particularly development preferences that are culturally appropriate. A Stakeholder Engagement Plan (SEP, Annex 7) was prepared during project design and provides guidance on how to conduct stakeholder engagement throughout the project cycle. During implementation, stakeholder engagement will continue to depend on the target communities and is designed to be, therefore, sensitive to ethnic minority community needs and preferences (as well as differentiated to the needs of vulnerable persons in the project area). All provincial PMUs will maintain FPIC consultations with ethnic minorities and Kinh in the target project communes. FPIC consultations will be factored into the annual Indigenous Peoples' Plans which each provincial PMU will prepare to ensure ethnic minorities are included in project activities. Gender and youth targets are also mainstreamed into the annual IPPs to ensure that targets are achieved over the project's life cycle and monitored and evaluated at the project's midterm and conclusion.		
Stakeholder Grievances	Low	Low
Risk: Affected person(s), particularly affected ethnic minorities, may not know how to lodge their complaints/grievances/concerns to PMU team who is responsible for receiving grievance and process for grievance redress mechanisms.	Low	Low

<p>Mitigations: The project has designed a GRM to provide complainants, including affected ethnic minorities, with redress procedures that are accessible, easily used, and free of charge to enable affected people to raise project related concerns and grievances. The project GRM guide how complaints are lodged, including forms, channels, particularly steps and time-limit for each step, notification of resolution decision, and prescriptive period, etc. GRM also considers local practices of grievance redress that local ethnic minorities prefer, including use of local ethnic minority language. During the grievance resolution progress, where necessary, dialogues will be hold between the project's designated GRM unit/personnel and the aggrieved people to promote mutual understanding and collaboration among relevant parties for effective resolution.</p>		
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