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Enabling poor rural people
to overcome poverty

President's report

Proposed loan and grant to the Socialist Republic of Viet Nam for the

Agriculture, Farmers and Rural Areas Support Project in Gia Lai, Ninh Thuan and Tuyen Quang Provinces

Note to Executive Board representatives

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For: Approval

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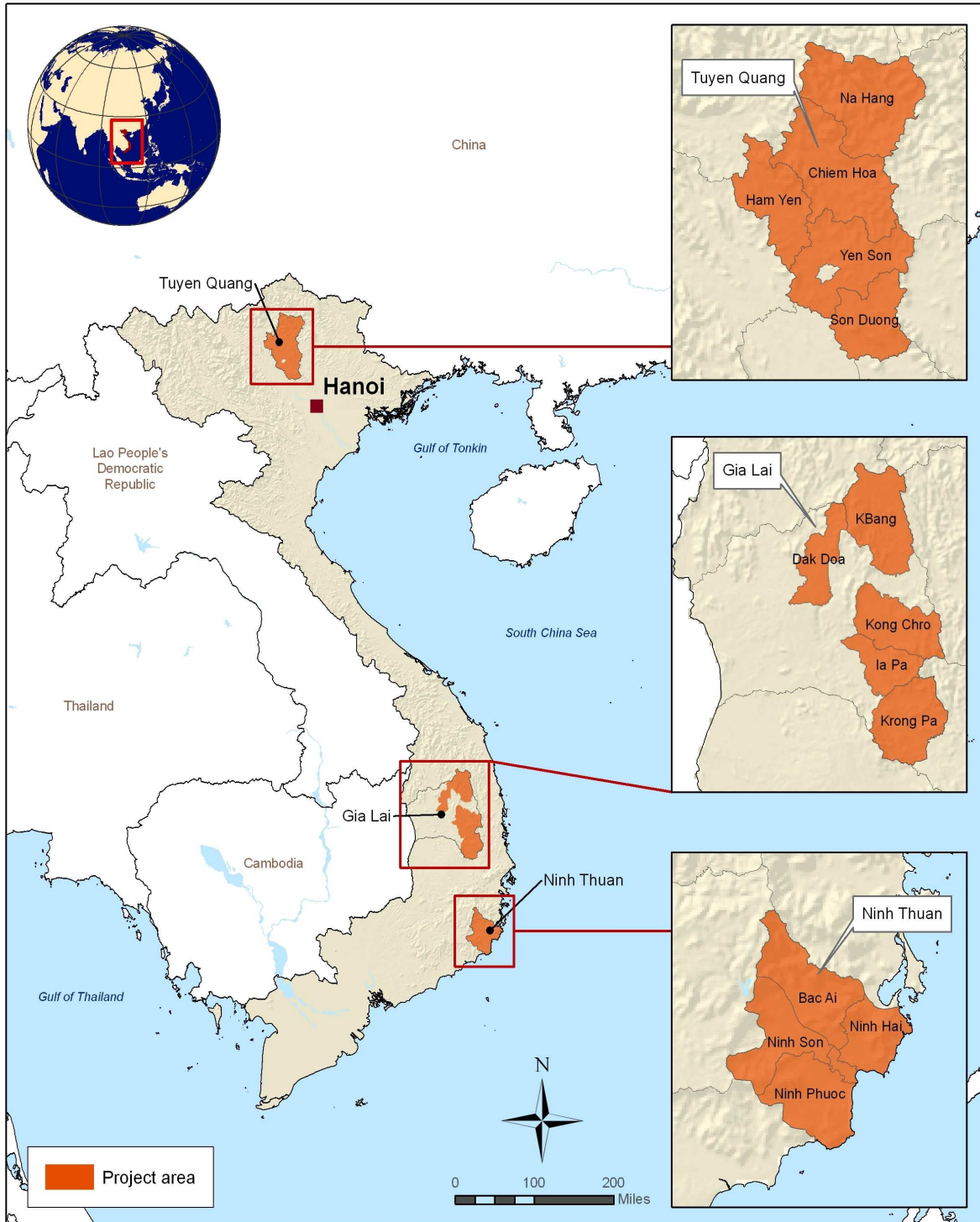
Abbreviations and acronyms

CDF	commune development fund
SEDP	socio-economic development plan

Map of the project area

Socialist Republic of Viet Nam
Tam Nong Support Project

President's report



22-9-2010



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

Socialist Republic of Viet Nam

Agriculture, Farmers and Rural Areas Support Project in Gia Lai, Ninh Thuan and Tuyen Quang Provinces

Financing summary

Initiating institution:	IFAD
Borrower:	Socialist Republic of Viet Nam
Executing agency:	Provincial People's Committee of Tuyen Quang Provincial People's Committee of Ninh Thuan Provincial People's Committee of Gia Lai
Total project cost:	US\$65.36 million
Amount of IFAD loan:	SDR 31.5 million (equivalent to approximately US\$48.04 million)
Amount of IFAD grant:	SDR 0.2 million (equivalent to approximately US\$0.31 million)
Terms of IFAD loan:	40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum
Contribution of borrower:	US\$10.86 million
Contribution of beneficiaries:	US\$6.14 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to the Socialist Republic of Viet Nam for the Agriculture, Farmers and Rural Areas Support Project in Gia Lai, Ninh Thuan and Tuyen Quang Provinces, as contained in paragraph 36.

Proposed loan and grant to the Socialist Republic of Viet Nam for the Agriculture, Farmers and Rural Areas Support Project in Gia Lai, Ninh Thuan and Tuyen Quang Provinces

I. The project

A. Main development opportunity addressed by the project

1. The Agriculture, Farmers and Rural Areas Support Project in Gia Lai, Ninh Thuan and Tuyen Quang Provinces will assist in establishing the policy framework and institutional arrangements and in developing the capacities and approaches necessary for the implementation of the Government of Viet Nam's new rural development policy, known as *Tam Nong* or Resolution 24 on Agriculture, Farmers and Rural Areas.¹ The project will support the provinces covered in carrying out much-needed pro-poor institutional reforms, such as the more decentralized, grass-roots, bottom-up, participatory approaches to agricultural development, and wider engagement of the private sector.

B. Proposed financing

Terms and conditions

2. It is proposed that IFAD provide to the Socialist Republic of Viet Nam a loan in the amount of SDR 31.5 million (equivalent to approximately US\$48.04 million), on highly concessional terms, and a grant in the amount of SDR 0.2 million (equivalent to approximately US\$0.31 million) to help finance the Agriculture, Farmers and Rural Areas Support Project in Gia Lai, Ninh Thuan and Tuyen Quang Provinces. The loan will have a term of 40 years, including a grace period of 10 years, with a service charge of three fourths of one percent (0.75 per cent) per annum.

Relationship to the IFAD performance-based allocation system (PBAS)

3. The project fits within the allocation defined for Viet Nam under the PBAS of US\$68.75 million over the 2010–2012 allocation cycle.

Relationship to national medium-term expenditure framework criteria

4. The project is aligned with the provincial medium-term expenditure framework, as laid out in the provincial socio-economic development plans (SEDP).

Country debt burden and absorptive capacity of the State

5. Gross domestic product (GDP) in 2009 was equivalent to US\$92.6 billion. In 2009, real growth was 5.4 per cent. The country's external debt represents an estimated 32.8 per cent of GDP in 2009.

¹ Resolution No. 24-NQ/TW, dated 28 October 2008, of the 7th Congress by the Session X Central Executive Committee on Agriculture, Farmers and Rural Areas.

Flow of funds

6. The borrower/recipient shall open four designated accounts in United States dollars, one for each province and one for the grant, in bank(s) acceptable to IFAD, in order to receive grant and loan funds. Additionally, each province shall open a project account at the provincial treasury, to be maintained in local currency.

Supervision arrangements

7. IFAD will directly supervise the project.

Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies

8. No exceptions are foreseen.

Governance

9. Governance in the project provinces will be enhanced through the institutionalization of market-oriented, results-based, participatory planning and implementation processes at the village level, and through increasing capacity for transparency and accountability for the effective use of public resources at the commune, district and province levels.

C. Target group and participation**Target group**

10. The targeted group in the three provinces is constituted by poor households and ethnic minority households (including both the poor and the near-poor).

Targeting approach

11. The project is in line with the IFAD Policy on Targeting. Through implementation of the proposed institutional reforms, the project will mainstream concepts of pro-poor development. The inclusion of the poor, ethnic minority groups, and particularly women, in targeted value chains will be a specific objective of the project. Common interest groups and collaborative groups will consist of a mix of poor and better-off members to enhance opportunities and access to learning for poorer households. Financial support provided through commune development funds (CDFs) will be based on the specific interests of the poor, ethnic minorities and women.

Participation

12. Participation in the project will be enhanced by the following: (i) **informed participation:** awareness-raising activities will be carried out in local languages, utilizing materials appropriate for both literate and non-literate ethnic minorities and poor households; (ii) **participatory rural appraisal:** within villages, processes of participatory rural appraisal will include self-assessment and poverty-ranking exercises to allow identified subgroups of the poor, ethnic minorities and women to be consulted in separate forums so that their needs and options can be prioritized before village development plans are drawn up; (iii) **village development boards:** development boards will be set up in villages to ensure that selected activities (productive investments, training and extension) are reflected in the commune SEDP; and (iv) **participatory monitoring and social audit:** the monitoring and evaluation system will specifically incorporate annual household surveys and social audits, whereby representatives of the poor, ethnic minorities and women will be consulted to provide insights into the performance of the project.

D. Development objectives**Key project objectives**

13. The goal of the project is to improve the quality of life for rural people, with a particular focus on those living in the most disadvantaged areas (as described in the Policy on Agriculture, Farmers and Rural Areas). The objective is to increase the sustainable participation in economic activities of 73,800 ethnic minority and rural poor households living in Gia Lai, Ninh Thuan and Tuyen Quang Provinces.

Policy and institutional objectives

14. The project seeks to: (i) improve the policy and institutional framework for decentralization; (ii) increase and strengthen private-sector engagement in rural areas and agriculture; and (iii) expand inclusion of the rural poor, particularly ethnic minorities, in local planning, decision-making and development processes.

IFAD policy and strategy alignment

15. In line with the country strategic opportunities programme 2008-2012, the project will target the poor, particularly ethnic minorities in upland rural areas. The project is aligned with IFAD's corporate priorities with regard to the promotion of equitable market linkages, improved agricultural technologies and effective production services.

E. Harmonization and alignment

Alignment with national priorities

16. The project will support the Tuyen Quang, Gia Lai, and Ninh Thuan provinces in their implementation of *Tam Nong* and, more specifically, the policy's newly articulated sector goals, which require a series of institutional reforms, new strategies and policy frameworks.

Harmonization with development partners

17. The project steering committee is the best platform for coordinating the sharing of lessons at the provincial level. The provincial SEDP processes will further provide an important mechanism for harmonizing practices and sharing knowledge.

F. Components and expenditure categories

Main components

18. The project has three components: (i) institutional strengthening for the implementation of pro-poor initiatives under *Tam Nong*; (ii) promotion of pro-poor value chains; and (iii) commune market-oriented socio-economic development planning and implementation.

Expenditure categories

19. There are seven expenditure categories: (i) vehicles, equipment and materials (9 per cent); (ii) civil works (0.4 per cent); (iii) training, courses, workshops, technical assistance and studies (19 per cent); (iv) commune development fund (61 per cent); (v) pro-poor development fund (7 per cent); (vi) financial services (0.6 per cent); and (vii) operations and maintenance (3 per cent).

G. Management, implementation responsibilities and partnerships

Key implementing partners

20. The implementing partner for the first component is the Department of Planning and Investment in each province; for the second component, the Department of Agriculture and Rural Development in each province; and for the third, the District People's Committees in each district.

Implementation responsibilities

21. The responsibilities of each implementing partner include: (i) preparing a component annual workplan and budget (AWP/B); (ii) coordinating the co-implementing agencies in carrying out the AWP/B; and (iii) preparing quarterly progress reports on component implementation for submission to the project coordination unit.'

Role of technical assistance

22. Technical assistance will be required in the following areas: (i) training in market-oriented business planning; (ii) value chain analysis, action plan development and market information development, during the initial years of the project; (iii) development of appropriate training packages and extension materials; (iv) preparation and vetting of proposals submitted by the Pro-poor Agribusiness

Fund; and (v) training of trainers for credit officers at the Vietnam Bank for Social Policies and Agribank.

Status of key implementation agreements

23. At present, no implementation agreements are available.

Key financing partners and amounts committed

24. The total project cost is US\$65.36 million over five years. The sources of financing are IFAD (74.0 per cent), Viet Nam (16.6 per cent); beneficiaries (9.4 per cent).

H. Benefits and economic and financial justification

Main categories of benefits generated

25. About 73,800 households will benefit directly from the project and 58,800 households will benefit indirectly in 117 selected communes of Tuyen Quang, Gia Lai and Ninh Thuan provinces. Of the total beneficiary households, 90 per cent are ethnic minorities and 46 per cent are poor households.

Economic and financial viability

26. The economic internal rate of return generated by the project is estimated at 20 per cent.

I. Knowledge management, innovation and scaling up

Knowledge management arrangements

27. Knowledge products include documentation of good practices, annual impact surveys and data analysis, and media products. The main actors include the Department of Cooperatives and Rural Development and International Cooperation Department of the Ministry of Agriculture and Rural Development, the Institute of Policy and Strategy for Agriculture and Rural Development, the project knowledge management officers, and monitoring and evaluation officers, the Ministry of Planning and Investment and the IFAD office in Hanoi.

Development innovations that the project will promote

28. Innovations promoted by the project include engagement of private-sector actors as stakeholders in the rural development process, adoption of a pro-poor value chain approach by Government, and differentiated strategies for "pre-market" and "market-ready" communes.

Scaling-up approach

29. At the time of the mid-term evaluation, an initial analysis will be carried out to determine the costs and benefits, comparative efficiencies, effectiveness, possibilities for achieving economies of scale, and institutional requirements for implementing the project model. Based on the results of this assessment, the project strategy may be adapted over the remainder of the project duration; if the project model is found to be effective and efficient, plans for scaling up will be discussed.

J. Main risks

Main risks and mitigation measures

30. The project faces three main risks: (i) lack of understanding of market-oriented approaches to public investment planning; (ii) limited capacity for developing and strengthening pro-poor value chains; and (iii) at the commune level, limited capacity to carry out procurement, financial management, quality control and supervision, operations and maintenance for the CDF schemes. The planned mitigation measures include: (i) investing in capacity-building in the first year to build a solid foundation for effective planning and resource management; (ii) engaging in a "learning-by-doing" process to support delivery of value chain development activities; and (iii) drafting a CDF manual/guidelines before any CDF disbursements and obtaining clear guidance for commune development boards at the initial stage of CDF implementation.

Environmental classification

31. Pursuant to IFAD’s environmental assessment procedures, the project has been classified as a Category B operation in that it is not likely to have any significant negative environmental impact.

K. Sustainability

32. The project is to be implemented by existing line agencies, with institutional strengthening, training and capacity-building to be provided, as needed. Broad-based private-sector development will be sought to ensure that activities designed to generate rural household income and assets for the poor are pursued.

II. Legal instruments and authority

33. A 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. A copy of the negotiated financing agreement is attached as an annex.
34. The Socialist Republic of Viet Nam is empowered under its laws to receive financing from IFAD.
35. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

III. Recommendation

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

RESOLVED: that the Fund shall make a loan on highly concessional terms to the Socialist Republic of Viet Nam in an amount equivalent to thirty-one million five hundred thousand special drawing rights (SDR 31,500,000), 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 grant to the Socialist Republic of Viet Nam in an amount equivalent to two hundred thousand special drawing rights (SDR 200,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Negotiated financing agreement: "Agriculture, Farmers, and Rural Areas Support Project in the Gia Lai, Ninh Thuan, and Tuyen Quang Provinces"

(Negotiations concluded on 9 December 2010)

FINANCING AGREEMENT

Loan Number: _____

Grant Number: _____

Project Title: (TNSP) (the "Project")

The Socialist Republic of Viet Nam (the "Borrower/Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and collectively, the "Parties")

hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Loan and a Grant to the Borrower/Recipient (the "Financing"), which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Loan is SDR 31 500 000, allocated as follows: Gia Lai SDR 7 250 000, Ninh Thuan SDR 8 380 000, and Tuyen Quang SDR 15 870 000.
2. The amount of the Grant is SDR 200 000, allocated to the Ministry of Agriculture and Rural Development (MARD).
3. The Loan is granted on highly concessional terms, as defined in the General Conditions.
4. The Loan Service Payment Currency shall be the US Dollar (USD).
5. The applicable Fiscal Year begins 1 January and ends 31 December.

6. Payments of principal and service charge shall be payable on each 15 June and 15 December.
7. The Borrower/Recipient shall open four Designated Accounts in USD, one for each province and one for the grant, in a bank acceptable to IFAD in order to receive advance Loan and Grant. Additionally, each province shall open a Project Account at the provincial treasury, to be maintained in local currency.
8. The Borrower/Recipient shall ensure that the Lead Project Agencies shall, on behalf of their respective provinces, provide counterpart financing for the Project in the total amount of USD 10 860 000 (of which USD 2 270 000 shall be allocated to payment of duties and taxes).

Section C

1. The Lead Project Agencies shall be the Gia Lai Provincial People's Committee (PPC), the Ninh Thuan PPC, and the Tuyen Quang PPC for the Loan component of the Financing, and MARD for the Grant component of the Financing.
2. The following are designated as Project Parties:
 - (a) the Departments of Planning and Investment (DPI) of Gia Lai province, Ninh Thuan province, and Tuyen Quang province, or any successor(s) thereto;
 - (b) the Departments of Agriculture and Rural Development (DARD) of Gia Lai province, Ninh Thuan province, Tuyen Quang province or any successor(s) thereto;
 - (c) the District People's Committees (DPC) in the Project Area, or any successor(s) thereto; and
 - (d) the Commune People's Committees (CPC) in the Project Area, or any successor(s) thereto.
3. The Project Completion Date shall be the fifth anniversary of the date of entry into force of this Agreement.

Section D

The Financing shall be administered and the Project supervised by IFAD.

Section E

1. The following are designated as general conditions precedent to withdrawal, in addition to those contained in Section 4.02 b) of the General Conditions:
 - (a) The Designated and Project accounts shall have been opened.
 - (b) No withdrawal from the Loan Accounts shall be made until the three Project Implementation Manuals (PIMs) referred to in Para 12.1 Section II of Schedule 1 hereto shall have been submitted to and approved by the Fund and the respective PPCs.
 - (c) No withdrawal from the Grant Account shall be made until the Project Director for the Grant component of the Financing is appointed.

2. The following are designated as specific conditions precedent to withdrawal that are in addition to those contained in Section 4.02 b) of the General Conditions:

- (a) No withdrawal shall be made from the Loan Accounts in respect of expenditures under Category IV (Community Development Fund) until a Community Development manual shall have been submitted to and approved by the Fund and the respective PPCs.
- (b) No withdrawal shall be made from the Loan Accounts in respect of expenditures under Category V (Pro-poor Agribusiness Promotion Fund) until a Pro-poor Agribusiness Promotion Fund manual shall have been submitted to and approved by the Fund and the respective PPCs for use in all the Project provinces.
- (c) No withdrawal shall be made from the Loan Accounts in respect of expenditures under Category VI (Financial Services) until two manuals for the Women Economic Development Fund, one for Ninh Thuan province and one for Gia Lai province, shall have been submitted to and approved by the Fund and the respective PPCs.

The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Fund:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

For the Recipient:

Minister of Finance
Ministry of Finance of the
Socialist Republic
of Viet Nam
28, Tran Hung Dao Street
Hoan Kiem District, Hanoi
Socialist Republic of Viet Nam

This agreement, dated _____, has been prepared in the (English) language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower/Recipient.

For the Fund

For the Borrower/Recipient

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project shall target poor households and ethnic minority households (including both the poor and the near-poor) in 16 selected Project districts of the provinces of Gia Lai, Ninh Thuan, and Tuyen Quang ("Project Area").
2. *Goal.* The Project shall assist in implementing the Borrower/Recipient's recently adopted policy on Agriculture, Farmers, and Rural Areas (Resolution 24/2008/NQ/CP dated 28 Oct 2008). The goal of the Project is to improve the quality of life for rural people, with a particular focus on those living in the most disadvantaged areas (as described in the policy on Agriculture, Farmers, and Rural Areas).
3. *Objectives.* The objective of the Project is to increase the participation in economic activities of ethnic minority and rural poor households living in poor communes in the Project Area.
4. *Components.* The Project shall consist of the following Components:

4.1 Component 1: Institutional Strengthening for Implementation of Pro-Poor Initiatives under the policy on Agriculture, Farmers, and Rural Areas. This Component focuses on strengthening the policy and institutional environment for carrying out effective and sustainable pro-poor market-oriented innovations with a focus on ethnic minorities, and for engaging the private sector in the implementation of the policy on Agriculture, Farmers, and Rural Areas.

4.1.1. *Market-oriented economic management capacity building* (Sub-component 1.1). This Sub-component shall develop and use training programs build capacities for market-oriented economic management for senior staff members of government agencies involved in the implementation of the policy on Agriculture, Farmers, and Rural Areas.

4.1.2. *Institutionalization of market-oriented, results-based, participatory socio-economic development planning and implementation process* (Sub-component 1.2). This Sub-component aims to institutionalize market-oriented, results-based, participatory socio-economic development planning and implementation processes at the village, commune, and province levels. This institutionalization effort shall incorporate gender and climate change issues. A Market-Oriented Participatory Socio-Economic Development Plan Thematic Working Group (MOP-SEDP TWG) shall be established to develop and validate MOP-SEDP methodologies for application at the village and commune levels throughout the Project Area.

4.1.3. *Private sector development and partnership in agriculture and rural development* (Sub-component 1.3). This Sub-component aims to strengthen the business-enabling environment and facilitate private sector development as well as public-private partnership building in agriculture and rural development. This Sub-component shall establish a Business Environment Reform Thematic Working Group (BER-TWG) to conduct research on current policy and regulatory frameworks and provide advice to reform such frameworks in order to facilitate partnerships with private sector actors.

4.1.4. *Project coordination and knowledge sharing* (Sub-component 1.4). This Sub-component aims to assist the Project Area provinces in the implementation of a key element of the policy on Agriculture, Farmers, and Rural Areas, namely, strengthening effective cooperation among four groups of stakeholders: government agencies, scientists and researchers, private businessmen, and farmers.

4.1.5. *Knowledge Collaboration with MARD* (Sub-component 1.5). Grant activities shall include (1) collecting the experiences gathered through the M&E process, Project progress reports, systematic consultation, and feedback from all IFAD supported projects in Viet Nam; (2) distribution of policy-related documentation to the central Government's policy makers, particularly related to the National targeted Programme for New Rural Development (NTP-NRD); and (3) providing relevant training for provincial and district staff.

4.2 Component 2: Promotion of Pro-Poor Value Chains. This Component focuses on making demand-driven and value chain-focused services (public and private) available in order to better connect poor ethnic minority households with market opportunities.

4.2.1. *Identification and prioritization of pro-poor value chains* (Sub-component 2.1). This Sub-component aims to identify, prioritize, and develop major pro-poor value chains in the Project Area. A value chain action plan shall be developed for each value chain, and interventions shall be concentrated at the district level. An Agri-Business Promotion Working Group (APWG) shall be established to participate in the value chain analysis prioritization and in the development of the value chain action plans.

4.2.2. *Value chain technical research and extension services* (Sub-component 2.2). This Sub-component is intended to ensure the production of value chain research and extension services (public and private sector providers) in order to improve the livelihoods of the rural poor.

4.2.3. *Promotion of pro-poor agribusiness initiatives* (Sub-component 2.3). This Sub-component is intended to increase private sector participation in the Project Area through the establishment of a district level Pro-Poor Agribusiness Promotion Fund. A manual shall be prepared for review and approval by the Fund to support this establishment.

4.2.4. *Improving access to financial services* (Sub-component 2.4). This Sub-component aims to increase the volume of lending and availability of credit to the Project's Target Population through the adoption of strategies for enhancing credit access and encouraging local savings, as well as through the provision of technical assistance. The Project shall support the Women Development Support Fund (WDSF) in Ninh Thuan in order to extend their operations throughout the Project Area. A Women Economic Development Fund (WEDF) for lending to women's savings and credit groups shall be set up in Gia Lai with the ultimate goal of setting up a microfinance institution to lend to women's groups. Separate manuals shall be prepared for each of these two fund initiatives, and submitted to the Fund for approval.

4.3 Component 3: Commune Market-Oriented Socio-Economic Development Planning and Implementation. This Component supports market-oriented planning and implementation by communes and villages. The objective is to enable targeted communes to effectively implement annual market-oriented plans for demand-driven, pro-poor rural development public investment that are integrated into the master government planning process.

4.3.1. *Planning Capacities for MOP SEDP (Sub-component 3.1)*. This Sub-component aims to build local capacity at the commune and village levels to use MOP-SEDP approaches for identifying priority investments for socio-economic development with a focus on poor and ethnic communities.

4.3.2. *Engaging the poor in value chains (Sub-component 3.2)*. This Sub-component is intended to ensure that the Project's Target Population is engaged in value chains and benefiting from profitable market opportunities through the provision of assistance and support to various kinds of farmers' groups.

4.3.3. *Community Development Fund (Sub-component 3.3)*. To complement Sub-components 3.1 and 3.2, this Sub-component shall provide the resources for putting the training received into action through the establishment of a Community Development Fund that shall make resources available for public infrastructure, human capacity building, and productive infrastructure, equipment and input investments to be managed by farmers' groups. A manual shall be prepared for review and approval by the Fund to support this establishment. For those villages applying for public infrastructure funding, it must be demonstrated that the economic benefits from such funding are reaching at least 50% of the households in the village. Evidence of such distribution shall be made available through annual reports.

II. Implementation Arrangements

5. Project Steering Committees (PSC) – Provincial Level

5.1. *Establishment and Composition*. At the provincial level, the Provincial People's Committees (PPCs) shall provide policy guidance to the Project. The PPCs shall also approve the appointments of key staff in the Project Coordination Unit (PCU). In each Project province the PPCs shall issue a decision to establish Project Steering Committees (PSCs).

5.2. The PSCs shall be chaired by the chairperson or vice-chairperson of the respective PPC and shall meet on a quarterly basis. Members shall include those of the PSC for National Targeted Programme for New Rural Development (NTP-NRD), as well as the Chairman of the Enterprises Association, the Director of an agriculture research institute, chairpersons of the Project District People's Committees (DPCs), which are responsible for Project coordination activities at the district level or such other membership as may be agreed from time to time with the Fund. Two or more directors of private companies working with farmers in the Project Area shall be invited to attend the meetings of the PSCs to express their views as observers.

5.3. *Responsibilities*. The PSCs in each province shall be responsible for reviewing and approving their province's Annual Work Plans and Budget (AWBPs) and Annual Project Financial Statements, and for submitting these items to their respective PPC for approval. The PSCs shall also be responsible for ensuring compliance of Project activities with the terms and conditions of this Agreement.

6. Project Coordination Unit (PCU) – Provincial Level

6.1. *Establishment and Composition.* In each province, the respective PPCs shall issue a decision to establish a PCU. Each PCU shall be headed by a full-time Project Director and include the following full time staff: PCU Deputy-Director, Commune SEDP Officer, Senior M&E Officer, M&E Officer cum Knowledge Management Officer, Institution and Capacity Building Officer, Value Chains Development Officer, Market-oriented Economy Advisor, Chief Financial Officer/Chief Accountant, Accountant, Procurement and Civil Work Specialist, support staff, as needed, and such other staffers as may be agreed from time to time with the Fund.

6.2. *Responsibilities.* The PCUs shall assist the PSC in coordinating the provincial agencies and the PPC in managing governmental and IFAD resources. The PCUs shall report directly to the PSC and act as an advisory body for the PPC. The mandate of the PCU shall be to ensure: (i) the implementation of the Project; (ii) coherence of the project approaches and strategies, and integration among project activities; (iii) coordination and synergy of the Component Lead Agencies (CLAs), other co-implementing agencies (CIAs), and technical service providers, and the district and commune level agencies, and grassroots communities; (iv) mobilization of resources from the private sector, mass organizations, professional associations, research institutes, technical centres, and non-government organizations; (v) accountable management of IFAD and governmental resources through the preparation of a Project Implementation Manual, an AWPB, and a procurement plan, and through the selection of technical assistance and audit service providers, as well as through the establishment and operation of the M&E system; and (vi) knowledge sharing and policy development interventions.

6.3. **Component Lead Agencies (CLA).** For each Component, the PPC shall issue a decision designating a CLA. Whilst the CLAs will not establish separate implementation offices for the Project within their departments, they will appoint a director or deputy director and an accountant to work with the Project. In addition, there shall be one focal point per province. The functions of the CLAs include: (i) preparation of a Component AWPB in cooperation with the PCU for approval by the PSC; (ii) coordination of the implementation of the Component; and (iii) preparation of quarterly progress reports on component implementation for submission to PCU.

7. Project Coordination – District Level

7.1. District People's Committees (DPCs) shall be responsible for coordination of the project activities and for the integration of those activities into the organizational structures and mandates of the district-level line agencies and mass organizations. The DPC Chairman (or Vice-Chairman) shall be responsible for coordination of project activities. To assist the DPC in coordinating project activities, a District Agribusiness Support Unit (DASU) shall be established, pursuant to a issued decision by the PPC, directly under each DPC. The DASUs shall be directed by the respective DPC Chairmen and made up of a District Project Coordination Assistant to the DPC, an M&E Officer, a Commune SEDP/Community Development Fund (CDF) Planning Officer, a "Markets and Value Chain Development officer", an administrative assistant, and such other staffers as shall be decided from time to time with the Fund.

8. Project Coordination – Commune Level

8.1. The DPCs shall issue decisions establishing Commune Development Boards (CDBs) in each commune. The CDB shall be chaired by the Chairman of the CPC

and composed of the Head of the Farmers' Union, the Head of the Women's Union, the Head of the Youth Union, the Commune Agricultural Officer, the Commune Extension Worker, Commune Animal Health Worker, the Infrastructure Officer, the Village Head for each of the participating villages, Commune Accountant, and such other members as shall be decided from time to time with the Fund. The role of the CDB will be to coordinate all of the Project activities at the commune and village levels.

8.2. In all of the villages in the Project Area, Village Development Boards (VDB) will be established by the CPCs. The VDBs shall be made up of the Village Head, the Head of the Women's Union, the Head of the Farmers' Union, the Head of the Youth Union, and two representatives from better-off and poor households respectively.

9. Key Project Staff

9.1. *Recruitment of Key PCU Staff.* The full-time Project Directors, Deputy Project Directors, and Chief Financial Officers/Chief Accountants in each province shall be appointed by the PPC. The Grant activities will require the appointment of a Project Director and a Project Coordinator within the relevant departments, as decided by MARD.

10. Implementation Arrangements under Project Components

10.1. *Market-Oriented Economic Management Capacity Building (Sub-component 1.1):* The DPIs shall be directly responsible for coordinating the activities under this Sub-component.

10.2. *Institutionalization of market-oriented, results-based, participatory socio-economic development planning and implementation process (Sub-component 1.2):* The PPCs shall be ultimately responsible for issuing the guidance for the implementation of the MOP-SEDP. The DPIs shall work with the DPCs and CPCs of IFAD-supported communes to pilot, implement, and manage consolidation of the MOP-SEDP guidelines.

10.3. *Private sector development and partnership in agriculture and rural development (Sub-component 1.3):* The BER-TWG shall lead the activities of this Sub-component and advise the respective PPC concerning the approval or revision of new policies and guidelines for enabling private sector development.

10.4. *Project Coordination and Knowledge Sharing: (Sub-component 1.4)* The PPCs and PCUs are responsible for implementing this Sub-component.

10.5. *Knowledge Collaboration with MARD (sub component 1.5):* The Grant activities relating to knowledge sharing will be implemented by MARD through the relevant departments, as decided by MARD.

10.6. *Identification and Prioritization of Pro-Poor Value Chains (Sub-component 2.1):* The DARDs shall be responsible for coordinating the activities under this Sub-component, with technical assistance from the Department of Trade and Industry (DOTI).

10.7. *Value Chain Technical Research and Extension Services (Sub-component 2.2):* The DARDs and their related agencies, i.e. Provincial Extension Center, Plant Protection Sub-Bureau and Veterinary Sub-Bureau shall be responsible for implementing this Sub-component.

10.8. *Promotion of Pro-Poor Agribusiness Initiatives (Sub-component 2.3)*: District Agribusiness Support Units (DASUs) shall be responsible for the implementation of this Sub-component.

10.9. *Improving Access to Rural Financial Services (Sub-component 2.4)*: The Viet Nam Bank for Social Policy (VBSP), AgriBank, and the Women's Union in Gia Lai and WSDF in Ninh Thuan shall be responsible for activities under this Sub-component.

10.10. *Planning Capacities for MOP-SEDP (Sub-component 3.1)*: The DPCs/DASUs shall have primary responsibility for organizing and implementing the orientation and training activities planned under this Sub-component.

10.11. *Engaging the Poor in Value Chains (Sub-Component 3.2)*: Mass organizations shall have the primary responsibility for identifying Common Interest Groups (CIGs) and Collaborative Groups (CGs) and shall provide assistance in conducting basic organizational assessments. The CPC/CDBs shall be responsible for assembling and managing the data base of existing CIGs/CGs. The DPCs/DASUs, as well as the mass organisations, shall provide assistance in identifying trainers to be contracted to address CIG/CG training needs as requested by the commune.

10.12. *Community Development Fund (CDF) (Sub-Component 3.3)*: The CPCs shall be responsible for ensuring efficient and effective use of CDF resources, including management and oversight of commune level investments.

11. Project Reviews

11.1. *Mid-Term Review*. The Borrower/Recipient, the PPC in each province and the Fund shall conduct a comprehensive mid-term review to assess implementation progress, to assess the extent to which the business environment is constraining the operation of value chains, and to determine appropriate revisions to the Project implementation arrangements and resource allocations to be complied with by the relevant Project Parties in order to ensure successful Project completion.

12. Project Implementation Manual (PIM)

12.1. *Preparation and Approval*. The Borrower/Recipient shall cause the PPC in each province to prepare and approve a Project Implementation Manual (PIM) as soon as practicable, but in no event later than 90 days after the entry into force of this Agreement. The PIM shall detail, among other things, the Project implementation responsibilities for planning, budgeting, financing, Loan and Grant disbursement, reporting, procurement, preparation of accounts and auditing, and the implementation of the Financial Services Sub-component micro-grants. In addition, the PIM shall incorporate a strong governance framework to empower the Target Population to play a bigger role in Project implementation. The PPC in each province shall approve the PIM only with prior agreement of the Fund, and provide a copy thereof to the Fund.

Schedule 2*Allocation Table*

1. *Allocation of Loan and Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the Grant and the allocation of the amounts of the Loan and the Grant to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (SDR)	Grant Amount Allocated (SDR)	Percentage of Eligible Expenditures
I. Vehicles, Equipment, and Material			100% net of taxes or 90% of total expenditures
a. TQ	1 230 000		
b. NT	625 000		
c. GL	675 000		
d. MARD		20 000	
II. Civil Works			100% net of taxes or 90% of total expenditures
a. TQ	80 000		
b. GL	35 000		
III. Training, Courses, Workshops, Technical assistance and Studies			100% of total expenditures
a. TQ	2 270 000		
b. NT	1 480 000		
c. GL	1 530 000		
d. MARD		180 000	
IV. Community Development Fund			100% net of taxes and beneficiaries' contribution
a. TQ	9 390 000		
b. NT	4 530 000		
c. GL	3 400 000		
V. Pro-Poor AgriBusiness Promotion Fund			100% net of beneficiaries' contribution
a. TQ	985 000		
b. NT	440 000		
c. GL	440 000		
VI. Financial Services			100% of total expenditures
a. NT	200 000		
b. GL	200 000		
VII. Operations and Maintenance			60% of total expenditures
a. TQ	335 000		
b. NT	265 000		
c. GL	245 000		
Unallocated – TQ	1 580 000		
Unallocated – NT	840 000		
Unallocated – GL	725 000		
TOTAL	31 500 000	200 000	

(b) The terms used in the Table above are defined as follows:

- I. Vehicles, Equipment, and Material related to sub-category I(d) means office equipment and publications.
- II. Civil Works relates to the construction and rehabilitation of the PCU buildings.
- III. Technical Assistance includes consultancy services for the Project.
- IV. The Community Development Fund (CDF) makes resources available for: (i) public infrastructure, (ii) human capacity development, and (iii) productive infrastructure, equipment and input investments managed by Common Interest Groups (CIGs) and Collaborative Groups (CGs).
- V. The Pro-Poor Agribusiness Promotion Fund (PAPF) makes resources available for proposals received jointly from businesses and CIGs from Project Area communes. To be considered, all proposals must contemplate matching PAPF contributions with an investment by the business submitting the application that is equivalent to at least 50% of the PAPF.
- VI. Financial Services makes resources available for the Women Development Support Fund (WDSF) in Ninh Thuan province and for setting up a Women Economic Development Fund (WEDF) in Gia Lai province.

2. *Start-up Costs.* Withdrawals in respect of expenditures for start-up costs for Category III incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of SDR 120 000.

Schedule 3

Special Covenants

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from the Loan Account if the Borrower/Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

- i) The PPCs in each province shall issue Guidelines on the preparation and implementation of commune market-oriented participatory socio-economic development planning and implementation in the Project Area before the end of the 1ST year of the Project. The PPCs shall issue similar Guidelines for their entire province by the end of the 3rd year of the Project.
- ii) The PCUs in each province shall ensure that gender is mainstreamed in all Project activities by using a guidance manual to be developed by the Project before the end of the first year of the Project.
- iii) The PPCs in each province shall issue a Decision concerning the establishment of the following thematic working groups: Market-Oriented Participatory Socio-Economic Development Plan Thematic Working Group (MOP-SEDP TWG), Business Environment Reform Thematic Working Group (BER-TWG), and Agribusiness Promotion Working Group (APWG) before the end of the first year of the Project.
- iv) The PCUs in each province shall develop appropriate Terms of References for each staff position to be funded by the Project. The PCU shall organise a fair and transparent process for identifying and selecting candidates who are skilled and capable of meeting all of the requirements contained in the terms of reference. It shall further obtain IFAD's prior agreement for key staff positions, such as Project Director, Deputy Project Director, and Chief Financial Officer/Chief Accountant. Key staff members shall serve throughout the entire Project Implementation Period and may only be removed by the PPC in each province after prior consultation with the Fund.
- v) The PPCs in each province shall ensure that Project activities comply with the Law on Environmental Protection, and the Circular on guideline for the strategic environmental assessment, environmental impact assessment, and environmental protection commitments in accordance with Decision No. 05/2008/TT-BTNMT, 8 Dec. 2008.
- vi) Should there be any negative impact on the lives of the Project beneficiaries as a result of the siting of power plants in Ninh Thuan province, the PCU shall inform the PSC and PPC in the province and informed consent shall be sought to ensure that the needs of affected communities are identified and that such communities are fairly compensated (financial and non-financial), should the need arise. A failure to adequately protect the interests of Project beneficiaries could lead to partial loan cancellation of affected activities.

Key reference documents

Country reference documents

Poverty reduction strategy paper

IFAD reference documents

Project design document (PDD) and key files
Country Strategic Opportunities Programme 2008–2012
Administrative Procedures on Environmental Assessment

Logical framework

Narrative Summary	Indicators (all data disaggregated by sex, income class and ethnicity)	Means of Verification	Assumptions on Risks
GOAL Increase the quality of life for rural people, especially those who live in the most disadvantaged areas (from Tam Nong) (QUALITY OF LIFE)	10% reduction in child (< 5 years) malnutrition (RIMS Indicators) by EOP: - Chronic malnutrition (height for age) - Acute malnutrition (weight for height) - Underweight (weight for age)	Impact surveys at baseline, mid-term and completion (RIMS) General Statistics Office	
DEVELOPMENT OBJECTIVE Sustained and profitable economic participation of 73,800 ethnic minority and rural poor households living in 117 poor communes in 16 districts of the three provinces of Tuyen Quang (five districts), Gia Lai (five districts) and Ninh Thuan (six districts). (INCOME)	25% increase in the household assets index (value of relevant productive assets) of poor and ethnic minority households in the project communes 20% reduction in the rate of income poverty for households in the project communes ² Average growth rate of agricultural GDP at the province level is at least 4% by year three ³	Impact surveys at baseline, mid-term and completion (RIMS), Project M&E system; DPI planning system reports; DARD production monitoring systems.	Value chain bottlenecks or obstacles outside of the province will not constrain value chain development. Economic growth will remain steady in Viet Nam.
Component 1: Institutional Strengthening for the Implementation of Pro-Poor Initiatives under Tam Nong			
OUTCOMES: Policy and institutional environment strengthened to carry out effective and sustainable pro-poor market-oriented innovations with a focus on ethnic minorities, and to engage the private sector in the implementation of Tam Nong ⁴ (GOVERNMENT PLANNING)	25% increase in the number of agribusiness related private sector investment in project areas ⁵ MOP-SEDP approach mainstreamed into DPI's annual planning and budgeting process and integrating government resources at district and commune levels by EOP	PCI Website, provincial budgets, annual commune budgets, approved grants for CDF and APF, coordination meeting minutes	Improved governance, additional private sector investment, decentralization of rural investment budgets and improved multi-sectoral coordination will lead to specific opportunities for expanded economic engagement of targeted impact groups.
Component 2: Promotion of Pro-Poor Value Chains			
OUTCOMES: Demand driven, value chain focused services (public and private) available for connecting poor, ethnic minority households to market opportunities (VALUE CHAINS)	20% increase in value of targeted value chain commodities marketed annually per district; ⁶ 50% percent of targeted households have at least a 25% increase in income from targeted value chain sources.	DARD production monitoring statistics, annual household surveys, CDF grant documentation	Market prices remain reasonably stable for targeted commodities Costs of capital will not significantly reduce the profitability of investments made. The quality of technical services will encourage demand. Increased participation in value chains results in increased income.
Component 3: Commune Market-oriented Socio-economic Development Planning and Implementation			

² COSOP Outcome Indicator – Strategic Objective 2: Poor and vulnerable households take advantage of profitable business opportunities

³ COSOP Milestone Indicator for Strategic Objective 2: Poor and vulnerable households take advantage of profitable business opportunities

⁴ COSOP Institutional/Policy Objectives (in partnership mode): Strategic Objective 1 Rural poor households in uplands access markets through increased private sector partnerships

⁵ COSOP Milestone Indicator for Strategic Objective 1: Rural poor households in uplands access markets through increased private sector partnerships

⁶ COSOP Outcome Indicator for Strategic Objective 1: Rural poor households in uplands access markets through increased private sector partnerships

Narrative Summary	Indicators (all data disaggregated by sex, income class and ethnicity)	Means of Verification	Assumptions on Risks
<p>OUTCOMES: Poor and ethnic minority households in project communes and villages benefiting from profitable and sustainable market opportunities⁷ (COMMUNITY PLANNING)</p>	<p>Percent of HH below the DOLISA Poverty Line in project communes Impact Group Beneficiaries: - Direct: 73,800 HHs (TQP: 40,000hh; GLP: 14,500 hh & NTP: 19,300 hh)</p> <p>100% of the project communes meet at least 50% of the NTP-NRD criteria</p> <p>100% of the communes fall into the market ready category (better access to services, market information, market orientation of the commune officials, poor households participating in profitable market opportunities and local decision making)</p> <p>75% of communes are satisfactorily meeting performance indicators in social audit⁸</p>	<p>Review of DPI planning system, mid-term social audit, CDF monitoring reports</p>	<p>Commune capacities for developing market-oriented plans can be sufficiently built in the time available to produce good investment ideas that benefit the poor and ethnic minorities.</p>

⁷ COSOP RMF Strategic Objective 2: Poor and vulnerable households take advantage of profitable business opportunities

⁸ COSOP Outcome Indicator equivalent to 75% satisfaction rate of the quality of public service provision in responding to priority constraints