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Enabling poor rural people
to overcome poverty

Socialist Republic of Viet Nam

Country strategic opportunities programme

Note to Executive Board representatives

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Key files

Key file 1: Rural poverty and agricultural/rural sector issues

Key file 2: Organizations matrix (strengths, weaknesses, opportunities and threats [SWOT] analysis)

Key file 3: Complementary donor initiative/partnership potential

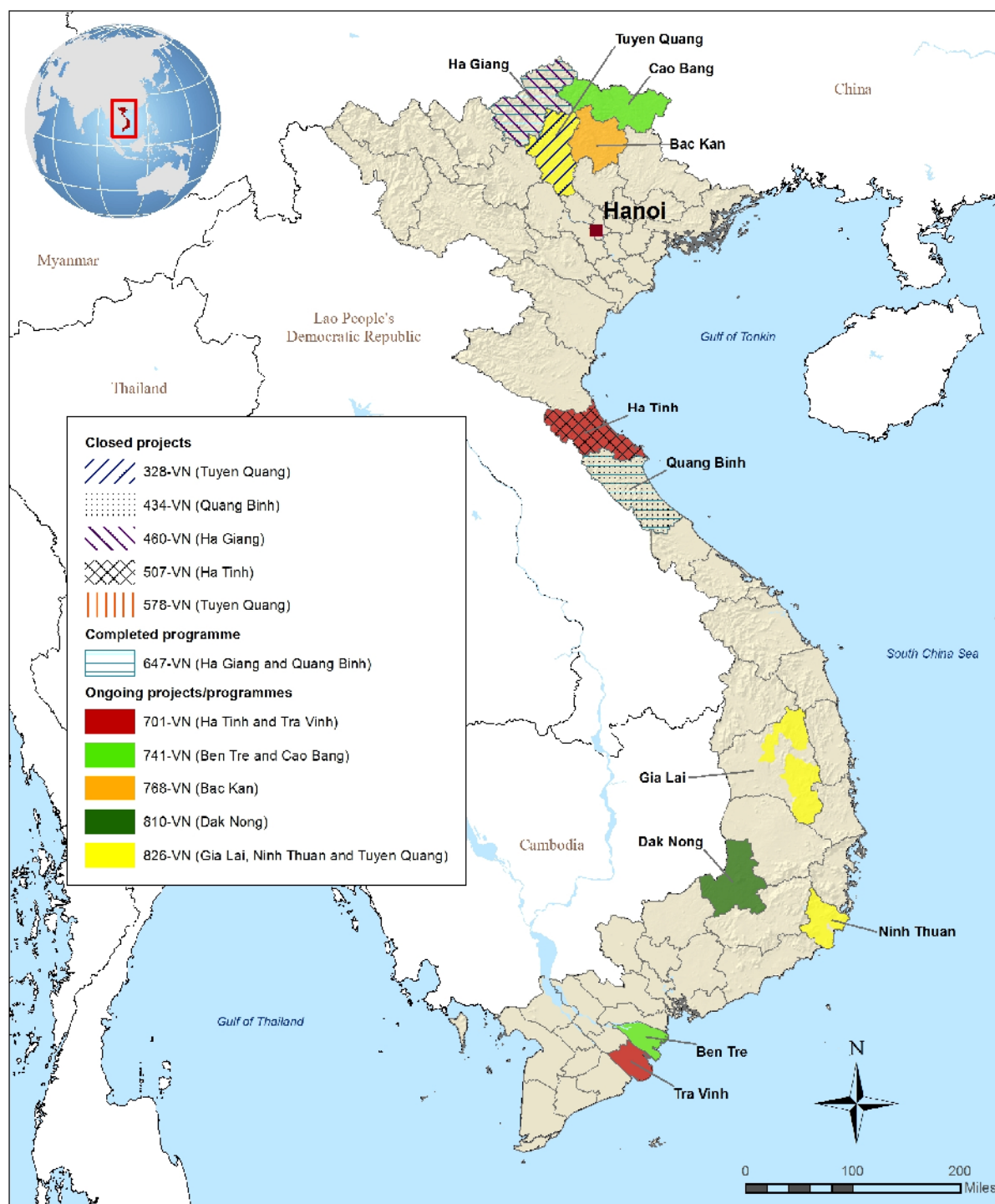
Key file 4: Target group identification, priority issues and potential response

Abbreviations and acronyms

CIG	common-interest group
COSOP	country strategic opportunities programme
CPE	country programme evaluation
CPM	country programme manager
GACA	Government Aid Coordination Agencies
IFI	international financial institution
M&E	monitoring and evaluation
MARD	Ministry of Agriculture and Rural Development
MPI	Ministry of Planning and Investment
NTP-NRD	National Target Program for New Rural Development
NTP-PR	National Target Program for Poverty Reduction
NTP-RCC	National Target Program to Respond to Climate Change
PPP	public/private partnership
SCG	savings and credit group
SEDP	Socio-Economic Development Plan
VFU	Viet Nam Farmers' Union
VWU	Viet Nam Women's Union

Map of IFAD-funded operations

Socialist Republic of Viet Nam
IFAD-funded operations



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

Map compiled by IFAD

Summary of country strategy

1. Two decades of rapid economic growth and market integration have transformed Viet Nam from a subsistence economy to an emerging economy of lower-middle-income country status, integrated into global markets. The structure of the economy has shifted from agriculture towards industry and services, and GDP growth has accelerated. Despite the rapidly changing environment, 70 per cent of the population continue to live in rural areas and to derive their livelihood from agriculture, which remains an important source of income and job creation for the large rural labour force. The rural population encompasses 91 per cent of Viet Nam's poor people. During this country strategic opportunities programme (COSOP) for 2012-2017, wealth generation in Viet Nam, particularly for this segment, will remain dependent on continued development of the rural sector and sustainable use of its natural resources. IFAD needs to focus on activities that would have the greatest impact in terms of addressing residual poverty in rural areas, within the emerging challenges and opportunities of a lower-middle-income country, a changing economic structure and growing rural urbanization.
2. Emerging developments and the findings of the country programme evaluation conducted by the Independent Office of Evaluation of IFAD led us to redefine the strategy for the next period. Underpinned by the previous COSOP, the COSOP covering 2012-2017 proposes to develop market-led pro-poor innovations in the ongoing portfolio by deepening institutional and policy reform at the provincial level and by building capacity at district, commune and poor farm household levels to effect sustained market-led pro-poor innovation and growth. This COSOP will focus on scaling up IFAD-supported experience into government systems and programmes. The process will aim at: integration of IFAD-supported participatory and market-oriented local planning into the Government's socio-economic development planning processes; capacity-building at all levels to improve the management of rural development outcomes; improvements in access to and quality of diversified rural services; community-led infrastructure development; market access and pro-poor value chains and sustainable on- and off-farm livelihoods; and formation and support for common-interest groups. An important innovation in this COSOP is the factoring in of climate change response to implementation of the country programme, as Viet Nam is predicted to be one of the countries most vulnerable to and likely to be significantly impacted by climate change.
3. COSOP 2012-2017 builds on IFAD's investments in the north-east mountains, central and Mekong River Delta regions and targets poor rural people (ethnic minorities, women and youth), particularly women farmers, who are the major drivers of agricultural growth in ethnic minority communities and remote rural areas and are guardians of household food and nutrition security. The COSOP proposes three strategic objectives:
 - SO1: Enable poor rural provinces to carry out market-led, pro-poor rural development;
 - SO2: Improve access of poor rural people – particularly women – to commodity and labour markets; and
 - SO3: Enhance the capacity of poor rural households to adapt to climate change.
4. Management of the IFAD country programme will require enhanced efforts towards knowledge-brokering within and beyond Viet Nam, policy feedback and dialogue with the Government, and partnership development with a wider range of stakeholders, including the private sector, international financial institutions, development partners and civil society.

Socialist Republic of Viet Nam

Country strategic opportunities programme

I. Introduction

1. This country strategic opportunities programme (COSOP) covers the period 2012-2017. The COSOP concept note was prepared and discussed with the Government Aid Coordination Agencies (GACA)¹ in July 2011. A country programme review was held in August 2011, and project directors of ongoing IFAD-supported programmes in 11 provinces were consulted on the main pillars of the new COSOP. Preparatory papers were prepared on the following topics: (i) collaboration with the private sector; (ii) poverty reduction based on a regional approach; (iii) a poverty baseline analysis; and (iv) climate change. A joint government/IFAD COSOP design mission² took place from 24 September to 14 October 2011, during which there were extensive consultations with officials from central government, provincial authorities, development partners, private-sector businesses and farmers. Separate consultations were held with the NGO community and a number of bilateral partners. On 22 December 2011, a COSOP in-country validation workshop was held to share a COSOP revision based on comments from the quality enhancement review and IFAD Senior Management. The development process for the COSOP is presented in detail in appendix I.
2. An integral part of developing this COSOP was the country programme evaluation (CPE) carried out by the Independent Office of Evaluation of IFAD (IOE) in 2011. As part of an iterative process of evaluation and in-country missions, the main CPE mission was fielded in March 2011 and its conclusions discussed at a national round-table workshop held in Hanoi in November 2011. The COSOP builds on the CPE's recommendations and on agreements reached with the Government of Viet Nam.

II. Country context

A. Economic, agricultural and rural poverty context

Country economic background

3. Viet Nam entered lower-middle-income status in 2010. Average per capita GDP has steadily progressed from less than US\$200 in 1989 to above US\$1,000 by 2009, with the strongest income growth associated with urban areas and export-oriented economic activities. Economic growth in Viet Nam is expected to average 6.5-7.0 per cent per year in the period 2011-2015, driven by sustained growth in consumption, investment and exports. Improvement in the labour market and rising real wages will drive consumption, while slowly improving global economic conditions are expected to spur manufacturing, which, in turn, will drive wage growth. Despite a recent downturn in foreign direct investment (US\$5.3 billion in the first six months of 2011), export-oriented foreign investor interest remains fairly robust.
4. Viet Nam experienced double digit inflation and macroeconomic instability in 2011, leading the Government to issue Resolution 11, which included measures such as tightening monetary and fiscal policy, reduction in public investment and the

¹ GACA includes the Ministries of Planning and Investment, Finance, Agriculture and Rural Development, and Foreign Affairs and the Office of the Government.

² The mission included Garry Smith (Team Leader), Nguyen Thanh Tung (IFAD Country Programme Officer), Roshan Cooke (IFAD Regional Climate and Environmental Specialist), Michael Hamp (IFAD Senior Rural Finance Adviser), Sarah Dadush (IFAD Legal Counsel), James Smyle (climate change consultant), Nguyen Yen Hai (Deputy Director-General, Foreign Economic Relations Department, Ministry of Planning and Investment [MPI]), Tran Anh Tuan (Senior Officer, Department of International Cooperation, Office of the Government), Nguyen Lan Huong (Director, Multilateral Division, Ministry of Finance) and Atsuko Toda (IFAD Country Programme Manager). Thomas Elhaut (Director, Asia and the Pacific Division, IFAD) joined the wrap-up meeting.

budget deficit, control of the trade deficit and export promotion. As a result, inflation has been steadily brought under control (the consumer price index for 2011 was 18.13 per cent),³ public debt is being kept at a safe level, at about 54.6 per cent of GDP by the end of 2011, and the total budget deficit has been reduced to 4.9 per cent of GDP. Exports continue to grow. Their total value was estimated at US\$96.3 billion in 2011 (US\$41.8 billion in domestic economic sectors and US\$54.5 billion in foreign investment sectors), which is a 33.3 per cent increase over 2010. While the trade deficit in 2011 is US\$9.5 billion, the lowest in the past 10 years, the current account is expected to remain in deficit in the medium term, due to strong consumption and investment growth and rising profit repatriation by foreign-invested enterprises.

Agriculture and rural poverty

5. Agricultural growth has assured food security and made a key contribution to economic and social development and stability. Some 69.4 per cent of the population lives in rural areas – an 11.5 per cent increase compared with 2006.⁴ The increase in rural household numbers for the period 2006-2011 is higher than in 2001-2006, due both to growth of the rural population and to multiplication of households. The economic structure has shifted, with the number of households dependent on agriculture reduced from 71.1 per cent in 2006 to 62 per cent in 2011 and with an increasing share of households in industry and services, from 25.1 per cent in 2006 to 33.2 per cent in 2011. This shift in the rural economic structure varies greatly among regions. The three regions with shares of non-farm households higher than 30 per cent are the South-East (58.1 per cent), Red River Delta (44.5 per cent) and Mekong River Delta (32.2 per cent). In contrast, the Central Highlands, Central Coast and Northern Uplands regions have more than 80 per cent of their population relying on agricultural incomes, while the share of non-farm households remains relatively low, which has many ramifications for poverty.
6. While overall agriculture annual growth between 2005 and 2010 has averaged 3.4 per cent, in 2011 annual growth was 5.2 per cent (crop and livestock increased 4.8 per cent, forestry 5.7 per cent and fisheries 5.7 per cent respectively). Of the total cultivated area, 54 per cent is devoted to rice and a further 26 per cent to other annual crops, with the remaining 20 per cent being used for perennial crops. In 2011, total rice production was 42.3 million tonnes, an increase of 2.3 million tonnes compared with 2010 – the highest increase over the past 10 years. Rising agricultural labour costs are slowly forcing efficiency gains (mechanization and land consolidation) and accelerated production diversification. The livestock subsector accounts for 25 per cent of agricultural GDP and is projected to rise significantly. Fisheries output rose by an annual average of 9.4 per cent from 2002 to 2009, with particularly rapid gains in freshwater aquaculture output and shrimp production, which now exceeds the harvest of wild fish. In 2011, total output of fisheries reached 5.43 million tonnes, an increase of 5.6 per cent compared with 2010. Exports of seafood increased to US\$6.1 billion in 2011 (an increase of 21.7 per cent from 2010 and from US\$3.4 billion in 2006), making it Viet Nam's fifth most valuable export.
7. Despite this strong performance, a number of constraints remain. Product quality is low, and Viet Nam typically receives significantly lower prices than neighbouring countries and market competitors for its rice, coffee, tea, rubber and aquaculture exports. Agricultural knowledge systems require significant investment and stronger client and market orientation, while massive infrastructural investment in water management and transport infrastructure is needed. Rural markets are characterized by weak farmer access to market information, limited integration along value chains, low levels of value addition, and continued dominance by state-

³ General Statistics Office (GSO), MPI, December 2011.

⁴ GSO, 1 July 2011.

owned enterprises of some commodities and markets, notably export markets. These business, market and quality constraints, combined with an underdeveloped processing sector, represent a very significant loss of investment, revenue and employment opportunities, while seriously constraining farm profitability. With higher rural labour wages and an increasingly scarce natural resource base, the agriculture sector urgently needs to further diversify production to higher-quality products, promote value addition and processing, and increase efficiency while ensuring resource-base sustainability.

8. Although 9 million hectares (ha) of agricultural land have been issued to 12 million households and 11.5 million land-use rights certificates (LURCs) approved, the land reform process is incomplete, requiring further investment in LURC issuance, land information systems and land-use planning and consolidation, and the incorporation of customary land tenure into collective land use rights, particularly for “residential communities” of ethnic minorities. Unsustainable natural resource use, particularly of water and in the forestry sector, leads to problems of water scarcity and land degradation, including saline intrusion and loss of biodiversity and flooding. This is amplifying vulnerability to climate change and natural climate hazards, which are increasing in frequency and severity. These constraints are compounded by the limited capacity of supporting institutions, particularly at provincial and lower levels.
9. With its “mega deltas” and high population concentrations within the Mekong and Red River Deltas, Viet Nam was characterized by the Intergovernmental Panel on Climate Change (IPCC) in its Fourth Assessment as a “hotspot of key future climate impacts and vulnerabilities in Asia”. Long-term predictions show that expected impacts on the agriculture and rural development sector will primarily derive from changes in temperature, rainfall and sea level. A 2007 World Bank study concluded that the one-metre rise in sea level predicted for 2100 would directly result in a loss of more than 5 per cent of the country’s land area, more than 7 per cent of agricultural lands and 28 per cent of wetlands, and more than 10 per cent of GDP. It would impact about 11 per cent of the total populated and urban areas.
10. In the period 1993-2008, national poverty incidence declined from 58.1 percent to 14.5 percent, and to under 10 percent in 2010, lifting some 30 million Vietnamese people out of poverty. Rural poverty incidence over that same period fell from 66.4 to 18.7 per cent and to 17.4 per cent in 2010. However, poverty remains predominantly a rural phenomenon: rural people comprised 91 per cent of total poor people in 2010 a figure that has shown little decline since 1993 when it stood at 95 per cent. While ethnic minorities represent only 15 per cent of the total population, the poverty rate among ethnic minority people, at 45 per cent, is of particular concern. Poverty rates vary significantly among ethnic groups. Factors for the higher incidence of poverty among minority peoples include: lower enrolment in primary education and earlier departure from formal education; lower quality of endowments in community, educational or physical assets and lower returns on assets; location in isolated, less endowed, more disaster-prone areas; lack of social, physical, human and financial capital; greater dependence on agricultural sources of income; reduced access to employment opportunities and lower received wages; social constraints on the transition from communal to market-based land tenure systems; inability to speak the majority language, i.e. Kinh Vietnamese; and negative stereotyping of minority communities.
11. Women, particularly rural and ethnic women, continue to be disadvantaged in terms of the nature of opportunities and quality of resources available to them, despite the passage of gender equality legislation. Women are overrepresented in economic sectors that are vulnerable in times of economic downturn, including the informal sector, and still lack equal access to land tenure (women hold just 19 per cent of LURCs) and to agricultural credit and technologies. Despite Viet Nam’s progress towards educational equity, girls are more likely to drop out of

school as a result of the demands of domestic work. One fifth of ethnic girls have never attended school and, in secondary school, lag behind their Kinh counterparts' enrolment by 10 per cent. Inadequate knowledge of the benefits of breastfeeding and micronutrients, and lack of women's time for child and personal care, appear to be the main contributing factors in stunting. Reduction of the persistently high levels of child malnutrition in ethnic communities and of the early departure of minority girls from the formal education system are IFAD targets under this COSOP.

12. The nexus between climate risk and poverty is of growing concern. The most socially vulnerable groups (women, ethnic minorities and the disabled) are likely to be disproportionately less able to adapt to climate change. They are exposed to greater risk, given their frequent direct reliance on agriculture and the natural resource base for their livelihoods, their greater exposure to natural disasters and their lack of assets and capital to recover or to shift to alternative livelihoods, and their susceptibility to climate-related health problems.

B. Policy, strategy and institutional context

National institutional context

13. The Government's role in guiding the IFAD country programme is crucial to the success of project performance, partnership development and constructive policy dialogue. MPI is mandated to coordinate official development assistance within socio-economic development planning and is the principal counterpart for allocating and planning IFAD resources. The Ministry of Finance is the representative of the borrower and serves as the focal point for coordinating disbursement processes for all IFAD-supported investments. The Ministry of Agriculture and Rural Development (MARD) provides policy and operational guidance on agriculture and rural development issues and is the focal point for scaling up implementation experience in the rural sector. IFAD partners include a number of institutions within MARD. One is the Institute of Policy and Strategy for Agriculture and Rural Development, which provides analytical and advisory services to the Government in agricultural and rural development policy and strategy formulation. The Ministry of Natural Resources and Environment is responsible for Viet Nam's response to climate change. Other programme partners within the national context include Agribank, the Viet Nam Bank for Social Policy, mass organizations (farmers' associations, the Viet Nam Women's Union [VWU], the Youth Union) and the Committee for Ethnic Minorities.

National rural poverty reduction strategy

14. The Government's development vision is laid out in its Socio-Economic Development Strategy 2011-2020, which was approved at the Party Congress in January 2011. The overall goal of the strategy is that Viet Nam become a modern, industrialized country by 2020, placing emphasis on the quality of growth and efficiency of investment. Major pillars are sustainable development, human resource development, improvements in market institutions and public administration, and development of a synchronous infrastructure system with modern facilities. The Socio-Economic Development Plan (SEDP) 2011-2015 identifies the measures and resources needed for implementation. Equitable and inclusive growth, the need for greater coherence between national, provincial and sector plans, and prioritization in the light of resource constraints are important considerations. The Government has put in place a set of national targeted programmes, including the National Target Program for Poverty Reduction (NTP-PR), which seeks to reduce poverty through a comprehensive package of support for human capital development and access to credit and basic services (education, health and agricultural extension, land rights and legal aid) and which targets woman-headed households.

Harmonization and alignment

15. Underpinning alignment of the IFAD country programme with government efforts in poverty reduction and sustainable development targets is the SEDP 2011-2015. In rural development, IFAD will align its activities with MARD's Tam Nông strategy on Agriculture, Farmers and Rural Areas and its Agriculture-Sector Development Plan 2011-2015. Tam Nông, which was launched in August 2008, provides a framework for broad-based, pro-poor agricultural growth until 2020. Importantly, it calls for a partnership between government, farmers, scientists and the private sector. IFAD will support poor provinces in preparing and effectively implementing inclusive, market-oriented rural development as part of a process of aligning IFAD investments with these principles. To realize Tam Nông, the National Target Program for New Rural Development (NTP-NRD)⁵ was launched in June 2010 to transform rural areas;⁶ it establishes indicators against which progress in the rural areas is to be measured. IFAD-supported projects will support the implementation of the NTP-NRD by incorporating some of the NTP-NRD targets, supporting the development of market options to help realise a new rural area, creating the needed mindset change at the household level, and building capacity to carry out the envisaged commune planning activities. For alignment in climate-change activities, the Fund will work with MARD in the context of the Action Plan Framework for Adaptation to Climate Change in the Agriculture and Rural Development Sector and the National Target Program to Respond to Climate Change (NTP-RCC) 2009-2015. IFAD will harmonize its efforts with other development partners active in climate change to support MARD in developing policy options, while remaining focused on implementation of adaptation and mitigation measures in agriculture.

III. Lessons from IFAD's experience in the country

A. Past results, impact and performance

16. The 2011 CPE found overall performance of the country programme to be satisfactory, particularly in terms of support for decentralization, capacity-building, participatory planning, gender mainstreaming, small-scale infrastructure, development of savings and credit groups (SCGs), and improving rural livelihoods through production for markets. The CPE found that the country programme has had a positive impact on household income and assets, particularly through the women-centred savings and loan programme, increased levels of agricultural productivity, and investment in livestock and improved animal health services. The impact that the country programme has had on the quality of women's lives and empowerment is positive, while vocational training has been important for income diversification and promoting non-farm employment for rural youth. In terms of efficiency, much has been achieved with regard to project implementation and management, capacity-building at the provincial, district and commune levels, planning, coordination, monitoring and evaluation (M&E), and direct supervision and implementation support. The CPE noted that in every province in which IFAD has been active there is evidence of a significant reduction in levels of poverty.
17. The CPE also pointed out the need for a holistic approach to the continued development of ethnic minorities in upland areas. This COSOP incorporates the key recommendations of the CPE, which include the need for a strengthened market-oriented approach, more comprehensive geographic coverage, a more favourable

⁵ Prime Minister Decision No. 800/QĐ-TTg.

⁶ Specific objectives of the NTP-NRD include: (i) an annual growth rate for agriculture, fisheries and forestry production of 3.3-3.5 per cent; (ii) reduction of the rural labour force to 30 per cent, of whom 50 per cent will be trained farmers; (iii) significantly improved rural infrastructure, with all irrigation systems able to support double cropping, most communes having all-weather road access, most villages accessible to vehicular traffic, expanded fishery port infrastructure and most rural social services reaching the level enjoyed by mid-level urban areas; (iv) improved quality of rural life and its linkage to the industrialized economy; and (v) improved environmental protection, disaster risk reduction and climate change adaptation.

credit environment for smallholders, more strategic knowledge management, strengthening of partnerships, increased counterpart funding by the Government, a strategic approach to the conservation of natural resources and the response to climate change, and a strengthened IFAD country office.

B. Lessons learned

18. The participatory approach, together with decentralization, continues to be a central theme for IFAD-supported interventions and has been mainstreamed by government programmes. Lessons from the ongoing portfolio include the following:
- Application of participatory, market-oriented local economic planning processes in poor provinces: Effective market-oriented planning processes need: (i) coordination among agencies through project steering committees and technical task forces; (ii) staff capacity to prepare and implement participatory market-oriented socio-economic planning processes and value chain approaches; and (iii) integration of market information and value chain analysis in the market-oriented participatory SEDP process.
 - Poverty targeting and gender mainstreaming under the market-oriented approach: Engagement in market linkages can benefit poor rural women and men through: (i) selection and promotion of pro-poor value chains that create employment and relevant production, processing and marketing systems for poor people; (ii) farmer-to-farmer extension and increased use of appropriate technologies for adoption by poor farmers, particularly ethnic minorities; (iii) vocational training opportunities for poor households, targeting ethnic minorities and women; and (iv) market-based infrastructure and improved connectivity in remote areas.
 - Ethnic minority development: For the empowerment of ethnic minorities, and particularly ethnic women, engagement in community decision-making, representation in local institutions, off-farm employment opportunities, women's land-use entitlement, and women's SCGs for investment in improved agricultural productivity, livestock production and animal health have proved successful.
 - Strengthening collective action and access to credit: The voluntary development of common-interest groups (CIGs) can promote the transition from subsistence- to commodity-oriented production and serve as a foundation for poor people to cooperate with better-off groups and private business. Improved collaboration with mass organizations, such as the Viet Nam Farmers' Union (VFU) and VWU, and with key farmers in facilitating CIG development has been shown to work. CIGs with access to credit and women's SCGs have been most successful in this context.
 - Engaging the private sector: Private stakeholders and service providers drive the development of value chains and investment in agriculture production and processing, including in poor areas, where: (i) legislation and policies are in place that enable the private sector and strengthen competitiveness and transparency; (ii) capacities of province and district staff for private-sector promotion are available; (iii) access to finance, skills and market information is possible. Partnering with the small- and medium-scale private sectors can impart much-needed technologies and skills to smallholders – in turn opening markets.
19. With regard to climate change and disaster risk management, relevant lessons from local experience include: (i) policies to adapt to climate change need to be focused on poor and vulnerable people; (ii) adaptation to climate change in high-risk, marginalized communities should target "no regret" approaches, i.e. those that have little additional cost in enhancing livelihoods, sustainable agriculture and poverty reduction; (iii) capacities of agricultural and water systems to cope with

current weather variability must be enhanced, while remaining sufficiently flexible; and (iv) increased long-term investment in agricultural knowledge and dissemination is important in supporting farmer adaptation to climate change.

IV. IFAD country strategic framework

A. IFAD's comparative advantage at the country level

20. The focus of IFAD's previous COSOP 2008-2012 was on addressing the growing disparity in livelihoods between rural and urban areas and the plight of poor people in upland areas, with a market-oriented poverty reduction approach. During its implementation, IFAD has effectively assisted provincial governments in 11 provinces and has developed strong working relationships with these provinces. Through the implementation of multisectoral IFAD-supported projects, provincial authorities and line agencies, district authorities and commune-level implementers have come to be able to implement the market-oriented poverty reduction approach. Given this, in the provinces where IFAD has been working, it has the institutional capital to support, influence and strengthen provincial strategies and mainstream initiatives in market-led poverty reduction. These relationships with the provinces offer IFAD an opportunity to scale up activities – from project-induced innovations to province-wide policies and institutions. Beyond provincial borders, provinces that have had past IFAD support can become models for replication in other provinces. Given the Government's openness to evidence-based learning, a comparative advantage for IFAD is the more-systematic incorporation of project-based lessons at the provincial level into policy dialogue on rural development at the national level.
21. As Viet Nam has moved into lower-middle-income status, with greater fiscal resources and capacity to address poverty, the international community working with the country has reduced its support for agriculture and rural development. There are fewer donor and government projects that can pilot much-needed reforms to address emerging rural challenges, particularly in the poorer provinces. It is in this context that IFAD's comparative advantage in Viet Nam reflects the one cited in IFAD's strategic framework, i.e. to enable poor rural people to overcome poverty, targeting activities "to improve their food security and nutrition, raise their incomes and strengthen their resilience". IFAD should continue to: focus on market-led innovations for smallholder agriculture; pilot activities such as farmer group formation and empowerment, decentralized service delivery, productivity improvement, market integration and pro-poor value chain development; with a greater emphasis on scaling up pilots through local-level institutional and policy reforms. During the COSOP 2012-2017 period, IFAD will achieve the greatest impact on remaining pockets of food insecurity and hunger in rural areas by working with poor provinces, focusing on creating on- and off-farm income-generating opportunities for women in ethnic minority communities, while building climate change resilience and creating a more market-oriented environment.

B. Strategic objectives

22. Building on lessons learned during implementation of the previous COSOP, COSOP 2012-2017 will promote institutional reforms for developing approaches and packages to achieve a broad range of newly articulated rural sector goals within a rapidly shifting context for agriculture and rural development, and will address the impact of climate change. To support the transition occurring in the rural sector in IFAD-supported provinces, IFAD will: facilitate enabling environments for engagement of the private sector in providing rural jobs and generating rural income; develop and promote pro-poor value chains linking rural poor households to the growing demand in urban centres; and build farmer/buyer arrangements to lower the risks to farmers in diversifying and adding value. These initiatives will be underpinned by participatory, market-oriented SEDPs and introduction of best-practice legislative reforms in support of more competitive and transparent

markets. At the same time, the country programme will continue to recognize the importance of poor farmers supplying local markets.

23. Generation of income and jobs from rural non-farm activities will be enhanced – targeted at poor rural households and women – through access to community-managed funds for, inter alia: disaster risk reduction and climate-proofed market access infrastructure; demand-driven extension, enhancing value addition and the competitiveness of agricultural products; promotion of non-farm rural employment, particularly through vocational training; and SCG activities. These activities seek to: increase agricultural productivity and competitiveness, primarily of women smallholders; enhance opportunities for market entry and improve the livelihoods of women farmers; and diversify the livelihood opportunities of both men and women unskilled and wage workers towards off-farm activities. Activities will particularly aim at facilitating greater participation of and benefit flow to ethnic minority groups, taking advantage of their traditional knowledge, culture, governance systems and natural resources.
24. IFAD-supported investments will focus on: enhancing the resilience of poor farmers in the light of changing climatic conditions and more frequent natural disasters; providing appropriate investments and tools for community-based disaster risk management; and targeting climate change approaches that enhance livelihoods, sustainable agriculture and poverty reduction. IFAD will address the implementation of adaptation and mitigation in agriculture at the household level by: supporting ongoing farmers' adaptation through appropriate extension and research; applying simple land-use planning tools at the community-level in support of local disaster risk-reduction investments; developing provincial action plans for addressing climate change risk; ensuring the incorporation of climate change and disaster risk management factors into the SEDP; and feeding these plans and lessons to the national level for incorporation into investment plans, national targeted programmes and other policies.
25. For the 2012-2017 period, the following strategic objectives are proposed:
 - SO1: Enable poor rural provinces to carry out market-led, pro-poor rural development;
 - SO2: Improve access of poor rural people – particularly women – to commodity and labour markets; and
 - SO3: Enhance the capacity of poor rural households to adapt to climate change.

C. Opportunities for innovation and scaling up

26. Innovations related to market-oriented poverty reduction have been piloted in various IFAD-supported provinces, and while it is felt that a level of impact and success has been reached and provincial commitment attained, for the purposes of scaling up, a more-rigorous impact evaluation of these innovations is needed. The ultimate vision would be that these interventions are rolled out province-wide to all communes and districts and institutionalized by provincial line agencies. Given that provinces in the same geographical region share similar challenges and conditions, through inter-provincial dialogue platforms, where relevant, interventions carried out in IFAD-supported provinces would be shared with and replicated in neighbouring provinces in the same region.
27. In scaling up innovations, the key driver is provincial peoples' committees and their counterparts at district and commune levels. Over the lifetime of a project, scaling up can be achieved through: (i) institutional strengthening, training and capacity-building of existing line agencies and local authorities, as needed; (ii) integration of planning, budgeting, implementation and governance of IFAD-supported projects into regular government processes at commune, district and provincial levels;

- (iii) broad-based reform for private-sector development to ensure the expansion of rural household incomes and asset-generating opportunities, particularly for poor people; and (iv) a strengthened M&E system, focusing on achievement of outcomes and efficient allocation of resources, as opposed to narrower, more output-led project-based approaches.
28. With a view to scaling up innovation of market-oriented poverty reduction approaches to other provinces, experience will be shared through participation in regional workshops and through “sharing events” linking provincial experiences. At the regional level, parallel financing and cofinancing opportunities will be identified with international financial institutions (IFIs) interested in investing in larger-scale infrastructure, while IFAD will ensure a strong focus on smallholder farmers and poor rural people. IFAD’s partnerships with bilateral donors for technical cooperation are critical to the introduction of innovation (e.g. the Governments of Germany and Luxembourg are currently providing support to IFAD-supported projects). As IFAD continues to promote innovation in market-oriented reform in the agriculture sector and in adaptation in climate change, working with bilateral organizations to support these areas is crucial.
29. As a nation-wide framework for all rural communes in Viet Nam, the NTP-NRD provides an opportunity for scaling up innovations and mainstreaming lessons learned. It is important to envisage IFAD-supported projects as learning pilots within this context. At the provincial level, NTP-NRD project steering committees will incorporate learning and mainstream IFAD project innovations in provincial policy and institutions. At the national level, it is imperative that a learning mechanism be established within the NTP-NRD secretariat for the incorporation of lessons and the scaling up of pilots. Moving IFAD investments towards a more programme-based approach will enable the achievement of a stronger operational linkage between IFAD and the National Target Programs.

D. Targeting strategy

30. As demand for agricultural products of smallholder farmers is likely to come from urban markets and local markets within a geographic region, IFAD investments will be located in selected regions, making it easier to develop pro-poor value chains, promote private-sector investment and link farmers to markets. Moreover, investing in neighbouring provinces can ensure that knowledge-sharing and cross-province linkages take place. For the purposes of this COSOP, IFAD investments will be located in the North-East, the Central (including North-Central Coastal, Central Coastal and South-East) and the Mekong River Delta regions. These regions have high rural poverty rates and poverty head counts and they are significantly affected by one or more manifestations of climate change. Importantly, these regions host ongoing IFAD-supported projects with proven track records in aid effectiveness that can serve as models of innovation for scaling up in other provinces in the region.⁷
31. Within regions, criteria for selecting provinces⁸ will include the following: (i) rate of rural poverty, poverty head count (strongly weighted by ethnic minority poverty) and poverty severity; (ii) commitment, readiness and absorptive capacity of the province for implementing and mainstreaming innovations related to market orientation and climate change; (iii) past IFAD support and project performance, assessed in terms of aid effectiveness and potential impact of further IFAD investment; (iv) government endorsement of the resource needs of the province,

⁷ Available data on poverty incidence in 2008 and 2010 show that four subregions – North-East, North-West, North-Central and Central Highlands – are the poorest, with poverty rates higher than 20 per cent. According to 2008 poverty headcount figures, the three subregions that account for almost 70 per cent of Viet Nam’s poor people are the North-East (19 per cent), Mekong River Delta (15 per cent) and North-Central (19 per cent). With regard to climate change, severe impact is foreseen in the “mega deltas”, owing to sea level rise and salinization in highly populated areas within the Mekong and Red River Deltas.

⁸ The inclusion of provinces close to the identified regions, with similar poverty profiles and agroecological conditions, will be considered.

taking into consideration central-level support, provincial budgets, private-sector contributions and other development partner resources. Within provinces, where there are communities of ethnic minorities, those districts will be given priority.

32. The primary target group will be poor rural households, composed mainly of subsistence farmers, wage labourers, landless people and market-participant smallholder farmers. The target group will also include “near poor” households, which are an income group increasingly vulnerable to shocks and that easily fall back below the poverty line as a result of fluctuations in market prices and climate variability. Women will be reached specifically by: (i) maintaining a gender balance in management and community-based decision-making; (ii) formulating an appropriate information strategy (as many ethnic people are not fluent in the Kinh language and the incidence of female illiteracy is high); (iii) expanding livelihood options by targeting women for literacy, numeracy, financial management, market orientation and job/skills training and for extension; (iv) promoting women’s SCGs and marketing groups; (v) sensitizing government staff to issues and problems relating specifically to ethnic minorities and women; and (vi) further building women’s awareness of improved nutrition and child care, particularly in ethnic minority groups.

E. Policy linkages

33. IFAD country presence will significantly strengthen the provision of policy feedback to provincial, regional and national levels. As regards SO1, the key policy issues in enabling poor rural provinces to carry out market-led, pro-poor rural development are institutionalization of market-led socio-economic development planning, implementation of public/private partnerships (PPPs) in agriculture and rural development, and regional development planning and cooperation among provinces in the same region. Policy references are made to the Draft Government Decree on Local SEDP Guidelines, Government Decree 61/2010/ ND-CP of 4 June 2010 to promote private-sector investment in agriculture and rural areas and Prime Minister Decision No. 800/QD-TTg of 4 June 2010 for the implementation of Tam Nông. It is critical that provincial people’s councils, civil society organizations and the private sector are informed and engaged in the market-led local development planning process. IFAD should proactively engage with MPI in consolidating the Decree on Local SEDP in order to draw on experience in IFAD-supported provinces. For PPPs, IFAD support will be provided for public/private dialogue platforms and for initiatives in scaling up models of PPP. IFAD will participate in and promote regional discussion on improving the business environment and market-oriented governance and on promoting value chains.
34. For SO2, the key policy issues in improving access of poor rural people – particularly women – to commodity and labour markets are the establishment of CIGs, collaborative groups and cooperatives, access of poor farmers to sustainable natural resources and to agricultural support services, including rural financial services. Policy references are made to Decree 151/2007/ND-CP on Establishment and Operation of Collaborative Groups, Law on Cooperatives 18/2003/QH11, Law on Land 13/2003/QH11, Law on Protection and Development of Forest 29/2004/QH11, Decree 165/2007/ND-CP on amending Decree 28 and Law 47/2010/QH12 on credit institutions. IFAD will strengthen the capacities of agencies involved in facilitation of collaborative groups and cooperatives and assist local government in consolidating policies to promote collective action. IFAD-supported projects will assist local government in the land planning and land allocation process, which aims to increase access to land for poor people and women, and the land plot exchange (land consolidation) process. There is a need for further land use policy dialogue in provinces – inviting national agencies involved in land law revision to consider innovative participatory and gender sensitive land-use planning processes. IFAD will support diversification of rural finance services to include

support to people's credit funds and provincial women's and farmers' unions in becoming microfinance institutions as defined by Decree 28.

35. For SO3, the key policy issue in enhancing the capacity of poor rural households to adapt to climate change is the integration of pro-poor climate change considerations into the SEDP. The main policy reference is Decision 158/2008/QD-TTg on the NTP-RCC and MARD's Action Plan Framework for Adaptation to Climate Change in the Agriculture and Rural Development Sector. IFAD actions to be taken include partnership with other development partners, provision of technical assistance for enhancing capacity in MARD to formulate and implement climate change policies, and establishment of a climate change platform under the auspices of MARD for adaptation and mitigation in the agriculture sector.

V. Programme management

A. COSOP monitoring

36. GACA and the IFAD country office will monitor the COSOP based on Country Programme Management Results Framework (CPMRF) indicators⁹ and COSOP alignment with the SEDP to ensure aid effectiveness. COSOP monitoring will entail viewing the results and impact of projects more programmatically within the context of the objectives and goals of the Government. Annual country programme implementation reviews will include the Government, provincial authorities and project/programme directors, IFAD headquarters and IFAD Hanoi office staff. Project M&E will be tied to a poverty database at the country programme level to report against CPMRF indicators. The mid-term review of the COSOP will take place in late 2015 and the completion review at the end of 2017. During the annual and mid-term reviews, efforts will be made to realign COSOP priorities with emerging government policies and priorities and, as appropriate, with IFAD corporate policy.

B. COSOP management

37. COSOP management is the responsibility of the Government and IFAD. Project design, implementation support and supervision activities will be carried out jointly by the Government and IFAD. Implementation support will be based on thematic issues, including market-based production, pro-poor value chains, ethnic minority issues and microfinance, with the support of IFAD headquarters. Further assistance will be provided to GACA to design new projects, scale up existing investments and monitor the country programme. The IFAD country presence consists of a country programme manager (CPM), who is the accredited IFAD representative in Viet Nam, a country programme officer (CPO), a country programme assistant (CPA), a part-time procurement officer, and a part-time communications officer. During this COSOP period, the core responsibility of the IFAD CPM will evolve towards policy dialogue, partnerships and knowledge management. The core responsibility of the CPO will be direct supervision and implementation support, including review of annual workplans and budgets, impact surveys and progress reports. The core responsibilities of the CPA will include loan administration and financial management. In order to enhance the knowledge management capabilities of the IFAD country office, the responsibilities of the communications officer will be expanded to coordinate province/national links, ensure follow up and monitor project knowledge management activities.

C. Partnerships

38. Partnership efforts with the Government, provinces, development partners, the private sector, civil society and mass organizations will centre on policy options for enhanced market orientation and private-sector partnerships, rural finance and

⁹ CPMRF indicators are based on the outcomes expected from the ongoing and new projects likely to be implemented during the current COSOP period. National and provincial statistical reports, aggregate project monitoring results, specific studies and client surveys will be used to measure COSOP progress.

climate change. To develop a strong partnership with the NTP-NRD, IFAD will support MARD in the learning of lessons from the field. At the national level, IFAD will continue its support for and partnership with MARD, in collaboration with the Food and Agriculture Organization of the United Nations, for donor coordination in the agriculture sector and policy dialogue on agriculture and rural development. IFAD will continue its partnerships with the VFU, VWU and other mass organizations to enhance policy dialogue on farmers' organizations and obtain policy feedback from the provinces. On climate change issues, IFAD will work with MARD to identify policy options for the agriculture adaptation and mitigation sectors.

39. During this COSOP, partnership with IFIs will be proactively explored where projects are being designed in their regions. Partnerships with bilateral partners working in the same provinces with a similar mandate for technical cooperation will be sought, particularly for capacity-building on market orientation and climate change integration. IFAD is an active participant in NGO working groups for agriculture, and further partnerships with NGOs in knowledge-sharing and project implementation will be sought. Partnerships will be developed with leading firms interested in working with IFAD, based on the principles of sound agricultural investment, particularly through the World Economic Forum Group of PPPs and with other bilateral agencies active in PPPs. With regard to the One UN Initiative in Viet Nam, the IFAD Hanoi office has insufficient human resources to participate in regular meetings of the Delivery as One Initiative. The CPE points out that, as the only United Nations agency that provides loans, IFAD's participation in the One UN Initiative is less attractive, given that its operating model is different from that of the other participating organizations. Thus its participation will be limited to representation on rural development issues in select meetings and for strategic documents, such as the One Plan.

D. Knowledge management and communication

40. Using IFAD-supported projects as the source of knowledge, learning and innovation, the IFAD country office will collate knowledge made available at the project level through knowledge management officers, synthesize it at the country programme level and disseminate knowledge to the appropriate clients, events and venues. The country programme will build alliances with a select group of national research institutes and universities to help carry out deeper policy and technical analysis. Depending on the clients for knowledge, knowledge products will be organized into policy briefs, analytical papers, website information (IFAD Asia), commodity reports, market information, media articles, etc.
41. IFAD will use its grants to fill in specific knowledge gaps, which include a more-holistic approach to development for ethnic minorities in upland areas, better understanding of youth migration and opportunities for rural youth, PPPs and pro-poor value chain analysis, climate change adaptation research and capacity-building, etc. Grant financing will be made available for policy-related research and technical assistance to the NTP-NRD and NTP-RCC, and with the national research institutions.

E. PBAS financing framework

42. COSOP 2012-2017 spans two performance-based allocation system (PBAS) cycles, 2013-15 and 2016-18. The current 2010-12 PBAS allocation is \$62.33 million and allocations for 2013-15 are yet to be finalized in the context of the Ninth Replenishment discussions. The amount may be affected by portfolio performance and rural sector performance. If the project at risk (PAR) status and rural sector performance improve, the PBAS score could increase by as much as 28 per cent, and similarly decrease by 25 per cent in the case of poor performance (table 2).

Table 1
PBAS calculation for COSOP year 1

<i>Indicators</i>		<i>COSOP year 1</i>
Rural sector scores		
A(i)	Policy and legal framework for rural organizations	4.50
A(ii)	Dialogue between government and rural organizations	3.88
B(i)	Access to land	3.75
B(ii)	Access to water for agriculture	4.50
B(iii)	Access to agricultural research and extension services	4.00
C(i)	Enabling conditions for rural financial services development	3.63
C(ii)	Investment climate for rural businesses	4.00
C(iii)	Access to agricultural input and produce markets	3.83
D(i)	Access to education in rural areas	5.25
D(ii)	Representation	4.67
E(i)	Allocation and management of public resources for rural development	4.00
E(ii)	Accountability, transparency and corruption in rural areas	4.13
Sum of combined scores of Assessment of Sectoral Framework for Rural Development		50.14
Average of combined scores of Assessment of Sectoral Framework for Rural Development		4.18
Development		
	PAR rating	3
	CPIA rating	3.82
	Country score	8 401
Annual allocation for 2012 (US\$)		24 889 921

Table 2
Relationship between performance indicators and country score

<i>Financing scenario</i>	<i>PAR rating (+/- 1)</i>	<i>Rural sector performance score (+/- 0.3)</i>	<i>Percentage change in PBAS country score from base scenario</i>
Hypothetical low case	2	3.88	-25%
Base case	3	4.18	0%
Hypothetical high case	4	4.48	28%

F. Risks and risk management

43. A major risk is that government counterpart funds will be in short supply in coming years, due to the Government's efforts to bring about macroeconomic stability. To address this risk, IFAD will be aligning its projects to planning processes, so that counterpart financing can be made from provincial budgets and national targeted programmes. Another risk relates to the NTP-NRD, as it may not prove to be pro-poor, and its relationship with the government's parallel NTP-PR remains weakly defined. IFAD will work closely with the implementing department within MARD responsible for the NTP-NRD to integrate learning from IFAD-supported piloting of pro-poor interventions in poor communes into implementation of the NTP-NRD.
44. The main risk with regard to SO1 is that provincial and lower-level officials may be unprepared to take market-oriented initiatives; this will be addressed by capacity-building in market-led development and improved downward accountability to citizens. Support to provincial competitiveness index (PCI) enhancement and legislative reform will address the risk that an unfriendly private-sector regulatory framework could stifle business growth. A key risk for SO2 is whether credit markets will finance small and medium enterprises and smallholders; this will be addressed through capacity-building and training for credit institutions. Fraud and corruption remain a risk, particularly in infrastructure development. This will be addressed by systematic application by projects of IFAD's anti-corruption measures, including awareness-raising and transparency at commune levels, and social audit

practices promoted by projects. For SO3, the risk is that integrated disaster risk management and vulnerability reduction planning will not be effectively integrated into village-, commune- and district-level planning. This will be addressed through a systematic effort to mainstream climate change issues into SEDP development processes at commune, district and provincial levels.

COSOP consultation process

1. The Country Programme Management Team (CPMT) in Viet Nam is composed of:
 - Focal points, Ministry of Planning and Investment
 - Focal points, Ministry of Finance
 - Focal points, Office of the Government
 - Focal points, Ministry of Foreign Affairs
 - Focal points, Ministry of Agriculture and Rural Development
2. Members of the CPMT travelled with the country strategic opportunities programme (COSOP) preparation team on all field visits and contributed significantly to the conceptualization of the COSOP. The IFAD country team has met regularly with the Government Aid Coordination Agencies (GACA) throughout the process.
3. In February of 2011, the first CPMT for the development of the COSOP was held in which the timeline for development of the COSOP was shared and the CPMT was established. In July of 2011, a GACA meeting was held Meeting to discuss the draft COSOP framework, whereby the following was agreed:
 - That the identification of objectives, target regions and the strategy for working in each region would need to be made within the context of the Socio-economic Development Plan (SEDP) 2011-15;
 - there is no need to select all the provinces to be supported at this stage but we would need to choose the first year provinces;
 - a notification would need to be made with regards to the IFAD financing available for Viet Nam and its lending terms.
4. In August of 2011, a country programme review was held in which IFAD project directors of 11 supported provinces participated. At this meeting, ideas were collected from the IFAD project directors with regards to the direction of the COSOP. The COSOP concept note was endorsed.
5. In March 2011, a country programme evaluation (CPE) conducted by IFAD's Independent Office of Evaluation, reviewed all projects in IFAD's supported programme in Viet Nam in order to enhance learning. The evaluation made it possible to assess the results and impact of IFAD-funded activities in the country and to generate findings and recommendations that served as building blocks for the COSOP.
6. To support the COSOP preparation, national consultants and institutes were contracted to prepare analytical papers on: (i) collaboration with the private sector; (ii) poverty reduction measures based on a regionalization approach; (iii) a poverty baseline analysis; and (iv) climate change. The collaboration with the private sector studies were guided and supervised by Michael Hamp, IFAD Senior Rural Finance Adviser, PTA. The climate change studies were guided and supervised by Roshan Cooke, IFAD Regional Climate & Environmental Specialist, APR. Sarah Dadush, IFAD Legal Counsel, LEG, provided comments during the development of the COSOP and participated in the COSOP Design Mission.
7. The COSOP Design Mission was held between 24 September and 15 October 2011. During the Design Mission, the following consultations were held:

- Start-up workshop (27 September) was held to consult the GACA on the direction of the COSOP and a completion workshop (14 October) held to present the aide memoire including a draft Results Management Framework (RMF);
 - Donor coordination meeting for addressing the impacts of climate change in agriculture (28 September) was organised by the Ministry of Agriculture and Rural Development (MARD) International Cooperation Department (ICD), where IFAD shared its initial findings on the climate change strategy in the COSOP and also collected the findings and activities of many development partners working in climate change;
 - Field visits consultations (28 September- 9 October) were held in 4 provinces (Tra Vinh, Ha Tinh, Ha Giang and Quang Ngai) representative of 4 regions of Viet Nam, with potential for IFAD investment, including 3 provinces with ongoing IFAD financed investments and one without prior IFAD involvement, but a history of Australian development assistance;
 - Development partner forum (6 October) was held to discuss innovative financing mechanisms for working with the private sector, participated by IFC, WB, ADB, Making Markets Work for the Poor, EU, Dutch Embassy and a number of other bilateral agencies;
 - Interviews were held (5 October) with a number of multinational lead firms, including PepsiCo, Mars, Nestle were conducted, under the auspices of the World Economic Forum programme in Viet Nam;
 - Final wrap up meeting (14 October) was held at the MPI with members of GACA to discuss the aide memoire, which summarized the key findings of the COSOP main mission and field visits. Tom Elhaut, APR Regional Director participated in the meeting to provide guidance.
8. Separate consultations with the NGO community and bilateral partners are envisaged for December 2011.
9. A final COSOP in-country validation meeting to share the final COSOP after the quality enhancement reviews and OSC is to be held in December 2011.

Climate change consultation

10. As climate change is a new area for IFAD in Viet Nam, a rigorous consultation process and analysis was undertaken to identify the key climate change issues and areas of intervention.
- A climate change brainstorming workshop was held on 9 May 2011 in Hanoi bringing together key national research institutes working on climate change (CC) and environment related issues, ministries of agriculture and environment and bilateral and multilateral donors. This workshop provided insight into the current status of CC research and interventions related to the ARD sector and also, highlighted gaps in understanding of specific CC issues. A follow up analysis was undertaken of the 3 target provinces (Tra Vinh, Ha Tinh and Ha Giang) as a means to understand on-the-ground CC impacts in the representative agro-ecological zones.
 - On 28 September 2011, IFAD supported a policy discussion forum convened by MARD International Cooperation Department (ICD) for presenting MARD's Climate Change Action Plan (RCC-ARD) together with the Ministry of Natural Resources and Environment's (MONRE) National Target Program to Respond to CC (NTP-RCC). This was the first meeting where a discussion was undertaken on the respective ministries CC policy frameworks among a large group of representatives from the departments of the 2 ministries, national and regional research institutes and universities, the CC NGO Network and bilateral and multilateral donors. IFAD presented its preliminary analysis of the climate change impacts on the ARD sector and also, collated a list of development cooperation activities addressing CC in the ARD sector. A policy issues note was drafted, which

constitutes an initial guidance note for further strengthening pro-poor aspects of adaptation to CC in the ARD sector, and a detailed report titled *Climate Change Analysis and Adaptation Responses* was drafted to inform COSOP design.

Country programme evaluation (CPE)

11. The CPE reviewed the three main building blocks: (i) project portfolio; (ii) non-lending activities; and (iii) COSOP performance (relevance and effectiveness) and used internationally-recognized evaluation criteria and a six-point rating scale, covering a period of about 17 years (since 1993). The CPE process started with an inception workshop held in 15 December 2010, was followed by a desk review report completed in May 2011. The main mission took place in March 2011 and the report was finalised in September-October 2011. A national round-table workshop was held in November 2011 in Hanoi to discuss the main findings of the CPE report. The agreement at completion point is currently under discussion but should be submitted by December 2011. All key findings and recommendations of the CPE have been appreciated and taken in context of the Viet Nam as input into the COSOP 2012-2017.

Country economic background

Land area (km2 thousand) 2009 1/	310	GNI per capita (USD) 2009 1/	1 000
Total population (million) 2009 1/	87.28	GDP per capita growth (annual %) 2009 1/	7
Population density (people per km2) 2009 1/	281	Inflation, consumer prices (annual %) 2009 1/	7
Local currency Dong (VND)		Exchange rate: USD 1 = 20,955.00 VND	
Social Indicators		Economic Indicators	
Population growth (annual %) 2009 1/	1	GDP (USD million) 2009 1/	97 180
Crude birth rate (per thousand people) 2009 1/	17	GDP growth (annual %) 1/	
Crude death rate (per thousand people) 2009 1/	5	2000	6.8
Infant mortality rate (per thousand live births) 2009 1/	20	2009	5.3
Life expectancy at birth (years) 2009 1/	75		
		Sectoral distribution of GDP 2009 1/	
Total labour force (million) 2009 1/	46.60	% agriculture	21
Female labour force as % of total 2009 1/	49	% industry	40
		% manufacturing	20
		% services	39
Education		Consumption 2009 1/	
School enrolment, primary (% gross) 2009 1/	112	General government final consumption expenditure (as % of GDP)	6
Adult illiteracy rate (% age 15 and above) 2009 1/	7	Household final consumption expenditure, etc. (as % of GDP)	66
		Gross domestic savings (as % of GDP)	28
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita	n/a	Merchandise exports 2009 1/	57 096
Malnutrition prevalence, height for age (% of children under 5) 2008 1/	31	Merchandise imports 2009 1/	69 949
Malnutrition prevalence, weight for age (% of children under 5) 2008 1/	20	Balance of merchandise trade	12 852
		Current account balances (USD million)	
Health		before official transfers 2009 1/	-12 722
Health expenditure, total (as % of GDP) 2009 1/	7.2	after official transfers 2009 1/	-6 274
Physicians (per thousand people) 2008 1/	1		6
Population using improved water sources (%) 2008 1/	94	Foreign direct investment, net 2009 1/	900
Population using adequate sanitation facilities (%) 2008 1/	75		
Agriculture and Food		Government Finance	
Food imports (% of merchandise imports) 2009 1/	n/a	Cash surplus/deficit (as % of GDP) 2009 1/	n/a
Fertilizer consumption (kilograms per ha of arable land) 2008 1/	287	Total expense (% of GDP) a/ 2009 1/	n/a
Food production index (1999-01=100) 2009 1/	138	Present value of external debt (as % of GNI) 2009 1/	27
Cereal yield (kg per ha) 2009 1/	5 075	Total debt service (% of GNI) 2009 1/	1
		Lending interest rate (%) 2009 1/	10
Land Use		Deposit interest rate (%) 2008 1/	13
Arable land as % of land area 2008 1/	20		
Forest area as % of total land area 2006 1/	42.5		
Agricultural irrigated land as % of total agric. land 2008 1/	n/a		

a/ Indicator replaces "Total expenditure" used previously.

1/ World Bank, *World Development Indicators* database CD ROM 2011-2012

COSOP results management framework

Country Strategy Alignment	COSOP Strategic Objectives	COSOP Outcome Indicators (by end 2017)	COSOP Milestone Indicators (by end-2015)	COSOP Institutional/Policy Objectives (in partnership mode)
Investments would be aligned to: <ul style="list-style-type: none"> (i) national 5-year Socio-economic Development Plan (<i>SEDP</i>) 2011-2015, particularly improving market institutions (ii) Rural development strategy for Agriculture, Farmers and Rural Areas (<i>Tam Nông</i>) (iii) National Target Programme for New Rural Development (NTP-NRD) 2010-2020 with a vision to 2030 (iv) 2011-2015 Agriculture & Rural Development 5-Year Plan. (v) Ordinance on Implementation of Democracy at the Grassroots Level (vi) Government Decree number 61/2010/ND-CP of 4 June 2010 on policies to promote private sector investment in agriculture and rural areas 	SO1: Enable poor rural provinces to carry out market-led pro-poor rural development	<ul style="list-style-type: none"> i) 20% increase in the number of agribusiness related private sector investments in project provinces¹⁰ (Source: DPI annual report) ii) 20% reduction in income poverty in project communes (differentiated data for ethnic minority and women headed households) (NTP-NRD indicator) (Source: DOLISA/DPI) 	<ul style="list-style-type: none"> • Provincial competitiveness index score increased in the IFAD supported provinces (as against the baseline year) – (Source: PCI annual report) • 85% of project commune plans surpass performance standards for participation, practicality and relevance¹¹ (NTP-NRD indicator) (Source: M&E) 	<ul style="list-style-type: none"> • IFAD supported climate smart , participatory market oriented SEDP approach mainstreamed into DPI's annual planning and budgeting process • Decree on Local SEDP drawing upon relevant experience in IFAD supported provinces • Provincial policy supporting agroindustry clustering and producer organizations; • Technical protocols and standards being carried out based on market demand; • Fair contractual relations between companies and smallholder farmers established in project regions; • Commune market readiness indicators developed;
IFAD investments will support: <ul style="list-style-type: none"> (i) Resolution No. 63 on National Food Security (ii) Rural development strategy for Agriculture, Farmers & Rural Areas (<i>Tam Nông</i>), particularly agriculture science and technology (AST) strengthening, market oriented vocational training, household economic strengthening, and economic integration (value chains) (iii) Decree number 151/2007/ND-CP on Establishment and Operation of Collaborative Groups 	SO2: Improve access of the rural poor– particularly women - to commodity and labour markets	<ul style="list-style-type: none"> (i) Project participating households have at least a 25% increase in income from targeted commodities (differentiated data for ethnic minority and women headed households) (Source: Annual outcome survey) (ii) % increase of number of rural poor households having waged employment and non- 	<ul style="list-style-type: none"> • Number of men and women benefiting from extension and skills training opportunities (disaggregated by gender, ethnicity and income) (Source: Annual outcome survey) • Number of labourers trained (employed) disaggregated by gender and poverty (NTP-NRD indicator) (Source: M&E, DOLISA) 	<ul style="list-style-type: none"> • Diversified financial service providers lending to poor households; • Broad-based, demand-driven extension service models (farmer-to-farmer, private service providers, participatory annual extension plans, etc.) tested, proven, and being replicated by Provincial DARDs in non-IFAD communes; • Common Interest Groups and Collaborative Groups identified and oriented¹² • Organization of land use policy dialogues in provinces to consider innovative participatory and gender

¹⁰ COSOP Milestone Indicator for Strategic Objective 1: Rural poor households in uplands access markets through increased private sector partnerships

¹¹ NTP-NRD Criteria No 1: Having planning for basic infrastructure on production (Agriculture, industry, handicraft & service), population, socio-culture & organization & implementation to be available according to planning

¹² NTP-NRD Criteria no 14: The availability of cooperative & cooperative operates effectively

Country Strategy Alignment	COSOP Strategic Objectives	COSOP Outcome Indicators (by end 2017)	COSOP Milestone Indicators (by end-2015)	COSOP Institutional/Policy Objectives (in partnership mode)
(iv) Decree No.: 165/2007/ND-CP on amending Decree 28 (v) Law on Land number 13/2003/QH11		farm sector (disaggregated by gender, ethnicity and income); (Source: M&E)		sensitive land use planning process in provinces
Investments will support: (i) MARD Action Plan to Respond to CC in the Agriculture & Rural Development Sector during the Period 2011-2015 with a Vision to 2050 (ii) MONRE-coordinated National Target Program for Response to CC (NTP-RCC); Viet Nam National CC Strategy to 2050 & Vision to 2100	SO3: Enhance the capacity of poor rural households' to adapt to climate change	(i) Number of pro-poor climate resilient farming system packages adopted by poor and near poor households; (Source: Annual outcome survey) (ii) Locally tailored strategies for climate change adaptation developed and under implementation at District/ Commune-levels (IFAD Districts) (Source: DPI,M&E) (iii) Pro-poor climate change issues mainstreamed into Provincial level SEDP; (Source: DPI)	<ul style="list-style-type: none"> Number of women (and men) trained on key adaptation approaches and technologies (Source: M&E, output) No. of Districts and Communes (IFAD Districts) with operational community-based disaster risk management (CBDRM) and CC schemes (Source: DPI,M&E) No. of Districts and Communes (IFAD Districts) applying climate smart livelihoods planning tools and integration into SEDP developed & being implemented; (Source: M&E, DPI) 	<ul style="list-style-type: none"> Pro-poor climate change adaptation toolkits modified and applied by extension service providers; Climate proofing tools for (IFAD provinces) District/Commune SEDP planning developed & tested; Provincial assessments (IFAD provinces) of ARD sector's vulnerability to CC using social vulnerability & sensitivity to CC impact criteria Provincial M&E systems, including indicators for increased CC resilience, ethnic minority poverty and gender baselines and reports contain relevant information

Previous COSOP results management framework

COUNTRY STRATEGY ALIGNMENT	COSOP STRATEGIC OBJECTIVES	COSOP OUTCOME INDICATORS	COSOP MILESTONE INDICATORS	COSOP INSTITUTIONAL/POLICY OBJECTIVES (IN PARTNERSHIP MODE)
Improve economic efficiency and competitiveness (1.1.2)	SO1: Rural poor households in uplands access markets through increased private sector partnerships	Household net margins increased by at least 25% (Disaggregated by poverty, ethnicity and gender) Change in annual income per capita in the project area (Baseline)	<ul style="list-style-type: none"> Private investment in upland provinces increases by 10%, and in lowland areas by 20% Number of micro, small, medium enterprises registered increases by 15% in upland areas and 30% in lowland areas Provincial competitiveness index increases Agricultural productivity and production increases in upland areas by 20% and 30% in lowland areas Per cent of rural poor employed in non-farm sector increases in upland areas by 10%, and in lowland areas by 20% and 30% in lowland areas 	<ul style="list-style-type: none"> Provincial pro-poor, market driven private sector development policies and action plan Emergence of a favourable business environment and institutional culture at the provincial level
Reduce poverty and inequality (2.5.1)	SO2: Poor and vulnerable households take advantage of profitable business opportunities	Food security increases, for at least 75% of the target group (disaggregated by poverty and ethnicity households) Reduction in the prevalence of people below the poverty line in targeted areas by a 20%; (this would need to be reviewed in light of the new poverty line) 15% increase in forest coverage in upland areas	<ul style="list-style-type: none"> Per cent of households with improved access to forestlands increases by 25% Ha of land improved through enhanced land / water management techniques increased by 20% 	<ul style="list-style-type: none"> Government's resource allocation for public goods (research, infrastructure) in support of agricultural development Technology transfer/ participatory adaptive research strategy and action plan established at provincial level
Improve forestry and biodiversity management (3.1.1) Adopt sustainable use of water resources (3.1.2) Adopt more effective land management (3.1.3)	SO3: Upland poor communities secure access to/ and derive sustained benefits from productive natural assets	Proportion of poor households receiving project funded services in the selected villages with data disaggregated by sex of household head	<ul style="list-style-type: none"> Participatory multi-stakeholder processes implemented 	<ul style="list-style-type: none"> Capacity strengthening strategy and action plans for environmental management Establishment of payment for ecosystem service schemes
Strengthen capacity of sub-national government (4.3.1)	SO4: The rural poor contribute to pro-poor agricultural, market-driven policy processes at sub-national level	75% satisfaction rate of the quality of public service provision		<ul style="list-style-type: none"> Institutional capacities strengthened at provincial, district and commune level, for the participatory formulation and implementation of pro-poor and market-driven agricultural policies

CPE agreement at completion point

A. Background and introduction

1. The Independent Office of Evaluation (IOE) of IFAD undertook a country programme evaluation (CPE) in Viet Nam in 2010-2011. This was the second wide-ranging, strategic IFAD evaluation to be undertaken in Viet Nam. In 2000/2001, a country portfolio review and evaluation (CPRE) was undertaken jointly by IFAD's Asia and the Pacific Division (APR) and the then Office of Evaluation and Studies. The 2010-2011 CPE had two main objectives: (i) to evaluate the performance and impact of IFAD's operations in the country; and (ii) to generate lessons and recommendations to inform the next country strategic opportunities programme (COSOP) for Viet Nam.

2. The agreement at completion point (ACP) reflects the understanding between the Government of Viet Nam (represented by the Ministry of Planning and Investment) and IFAD Management (represented by the Programme Management Department) on the main evaluation findings (see section B below), as well as the commitment by IFAD and the Government of Viet Nam to adopt and implement the CPE recommendations within specific timeframes (see section C of this ACP). The implementation of the recommendations agreed upon will be tracked through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, which is presented to the IFAD Executive Board on an annual basis by the Fund's Management. In addition, this ACP will be submitted to the Executive Board of IFAD as an annex of the new COSOP for Viet Nam.

B. Main Evaluation Findings

3. The CPE considers the overall performance of the Viet Nam portfolio to be satisfactory, particularly in terms of support for decentralization, capacity-building, participatory planning, gender mainstreaming, small-scale infrastructure, development of savings and credit groups (SCGs), and improving rural livelihoods through production for markets. This support remains relevant, and should continue to form the essential building blocks of the country programme. There is still room for improvement, however, as the CPE found that IFAD-supported projects/programmes in Viet Nam have not invested enough in business development services, and that partnering with the small and medium-scale private sector, which could impart marketing skills and know-how to smallholders and ethnic minorities, has been limited to date. Improvement is also needed in terms of measuring results and establishing a standardized M&E system for the entire country programme.

4. The IFAD-Government programme has supported two mechanisms for the provision of microfinance. The first was the establishment of savings and credit groups, which have been reasonably successful in enabling members to manage and allocate small loans among themselves, mostly for livestock purchases and other means of increasing their income. The second involved the provision of credit through the banking system, but that mechanism has not been effective. The CPE considers that IFAD has not had a consolidated approach towards access to rural financial services to engage the Government or national financial institutions in tackling the challenges of providing access to rural credit.

5. Overall, the country programme has had a positive impact on household income and assets, mainly through increased levels of agricultural productivity and investments in livestock. Vocational training has been important for income diversification and for promoting non-farm employment for rural youth. The impact on gender equality and on the quality of women's lives and their empowerment is positive because funding was earmarked for programmes to assist poor rural women. The building up of the capacity of local institutions and policy support for sustainable use of land for production forestry is also judged to be positive. While projects have supported activities related to natural

resources management, the environment and climate change, the CPE considers that the IFAD-Government approach to such problems is too ad hoc and project-based, and is not part of a systematic and strategic approach – especially in view of the enormous challenges the country is facing in this respect.

6. Since the establishment of the IFAD-Government partnership in 1993, the central government has provided strong support to the IFAD-assisted country programme and provincial governments continue to demonstrate solid ownership and commitment, and have promoted the effective participation of line departments in project implementation. However, in the past, the Government preferred for IFAD to finance projects covering non-contiguous provinces with different economic and social conditions, which created challenges to design and implementation and supervision. The CPE also noted that, compared with other middle income countries, Viet Nam provides less counterpart funding as a component of total project cost than other countries with similar economic status, covered by IFAD-funded operations.

7. IFAD's performance as a partner is well appreciated by the Government and other organizations. Direct supervision and implementation support is more effective as compared to supervision by co-operating institutions, and is appreciated by all local partners. The establishment of IFAD's country office including outposting from Rome to Hanoi of the IFAD CPM for Viet Nam has been a positive step to strengthen dialogue and performance. While there has been some policy impact based on experience at the provincial levels, more efforts are required for linking the provincial implementation experience to policy dialogue at the national level. This will however also require that the CPM and other staff in the country office are provided with the required resources, time and space to engage appropriately in national policy dialogue initiatives.

8. As for knowledge management, good progress has been made in implementing the 2008 COSOP strategy. However, while the activities put emphasis on a broad range of learning themes, there has been little documentation regarding the benefits of different knowledge-sharing approaches promoted under the projects. With regard to partnerships, IFAD has established itself as a trustworthy and reliable partner at the central, provincial and local government levels, whereas IFAD has not yet been able to forge deeper partnerships in Viet Nam with key international financial institutions such as World Bank and AsDB, which are both active in rural areas of the country and support nationwide programmes that complement a number of IFAD micro-level activities on the ground, and with bilateral donors and NGOs. Although there has been a gradual increase in private-sector involvement in project operations through value chain and enterprise development, and in support to rural services, partnerships with the private sector have been limited thus far.

C. Recommendations

9. The below recommendations have been agreed by the Government of Viet Nam and IFAD.

10. **Recommendation 1:**

- a) **A strengthened market-oriented approach.** The programme's shift from an area-based multi-sector approach to supporting value chains has brought more benefits to vulnerable groups such as landless labourers, farmers with very limited land and unemployed youth. As the limited but evolving public-private partnerships developed thus far show potential for achieving better results on the ground, the CPE recommends that this approach be strengthened in the next COSOP. However, because the value chain approach is still relatively new and unknown in many of the areas covered by IFAD-funded operations, a thorough analysis of selected value chains (e.g. rice and coffee) will be needed before new small-scale agriculture interventions are

designed for rural areas. Ways and means of bringing ethnic minorities into the development process, at different stages of the value chain, will also need to be explored. Moreover, given the somewhat limited investments in business development services and limited partnerships with the small- and medium-scale private sector, the CPE recommends that IFAD and the Government encourage the strategic engagement of the private sector in supporting this building block in the next COSOP.

- b) **Proposed follow-up:** Strategic Objective SO1 of the COSOP is 'to accelerate the transition in the rural sector toward sustainable market led development in poor provinces and associated regions'. In order to achieve this, private sector will be a main proponent in partnership with the Government. SO 1 will carry out a number of activities to provide the enabling environment to promote pro-poor value chains and private sector engagement with smallholder farmers. Meanwhile SO 2 specifically ensures that it is women, ethnic minority households, where possible, that participate and gain from IFAD supported activities, including the following:
- Provincial, district and commune market oriented participatory socio-economic development, planning processes promoted to incorporate business ideas;
 - Savings and credit schemes linked to financial markets developed for the target group;
 - Investment in human capital (particularly ethnic minorities) through equal access to job skills, agricultural extension, markets opportunities etc.;
 - Physical investments that improve women's access to basic rural infrastructure and services, such as water, energy, roads and transport;
 - Literacy and numeracy programmes to allow ethnic minorities to understand their rights, negotiate effectively with government structures and representatives and participate in community based development activities. GACA comment: This issue will be integrated into the Government's support activities at provinces. It's not necessary to be developed as sub component of IFAD projects.
- c) **Deadline:** During the entire COSOP period.
- d) **Responsible entities:** Provincial Peoples' Committee of the selected provinces responsible for implementation; Central Government to provide policy advice and ensure timely implementation of this recommendation; and IFAD to work with the provincial authorities to design and monitor the recommendation.

11. Recommendation 2:

- a) **More comprehensive geographic coverage.** The CPE recommends that the Government and IFAD should move towards a model that combines, for example, three to five contiguous provinces as part of a single IFAD-funded operation when possible. This would facilitate a move from current area-based development activities to a more thematic model covering wider geographic areas and more poor people, and allow IFAD to focus on issues such as forestry development in upland areas, environmental protection in coastal zones, and private-sector development in provinces with large ethnic minority populations.
- b) **Proposed follow-up:** IFAD will work in the provinces belonging to a region, as there is more cross learning between the provinces through being more closely situated. As agro-ecological conditions are likely to be similar, it would facilitate project design. More importantly, the benefits of working with provinces from the same region is that the demand for products is likely to

come from the same urban growth poles, making it easier to promote businesses that are sourcing from the project area and making investments. The project concept notes in the COSOP for future investments are identified in a regional manner.

- c) **Deadline:** During the entire COSOP period.
- d) **Responsible entities:** Ministry of Planning and Investment and IFAD.

12. Recommendation 3:

- a) **A more favourable credit environment for smallholders.** Microfinance and the role of the banking system are features of the current programme that will need to be strengthened to support the market integration approach. Current solutions mainly involve funding subsistence-level production. Overall, the programme has had a very limited impact on bank operations and lending policies for supporting farmers and the rural poor. The CPE recommends that IFAD should make every effort to address this major gap in rural finance in any future policy dialogue with the Government.
- b) **Proposed follow-up:** IFAD will consolidate lessons learnt options in relation to the institutions that we are working with, which include Women's Union, Viet Nam Bank for Social Policy, and AgriBank. In the next COSOP, IFAD would focus on what has worked, i.e. providing access to rural financial services for smallholders through building the Women's Union and up scaling the model of Women's Saving and Credit Groups in line with regulations of Government and IFAD. IFAD through its Hanoi office would pursue active discussion with the Women's Union, Viet Nam Bank for Social Policy, and AgriBank.
- c) **Deadline:** During the COSOP period.
- d) **Responsible entities:** IFAD to facilitate more dialogue with banks with regards to access to rural financial services, and Ministry of Planning and Investment.

13. Recommendation 4:

- a) **A more strategic knowledge management programme.** There is a growing realisation – particularly as Viet Nam moves further into middle-income country status – that IFAD's knowledge, and its ability to impart that knowledge on a wide scale, will be a significant aspect of its future contribution to Viet Nam's development. Efforts as a result of the 2008 COSOP knowledge management component were a step in the right direction, and IFAD should build on those efforts in the years ahead. With regard to the next COSOP, IFAD will need to concentrate on its non-lending activities and grant capacity in order to fill specific knowledge gaps, such as the need for a holistic approach to the development of ethnic minorities in upland areas, better understanding of youth migration and opportunities for rural youth, etc. The CPE also recommends that knowledge-sharing be strengthened by establishing a standardized, countrywide M&E system, which would make it possible to follow up progress in implementing the results-based COSOP and fine-tune the evolving country strategy.
- b) **Proposed follow-up:** DEPOCEN, a local partner, IFPRI and IFAD HQ are working to put together a standardised country wide M&E system, and to improve the impact assessment of project activities. With regards to grants, these need to support the future pipeline and specific investments. Possible areas for grant financing include: (i) technical assistance to the National Targeted Programme for New Rural Development (NTP-NRD) and the National Targeted Programme for Response to Climate Change (NTP-RCC) for support in implementing specific areas including public-private partnerships, pro-poor

value chains, climate change adaptation research and capacity building, etc., (ii) working with the national research institutions on policy analysis and, (iii) building the capacity of the Government Aid Coordination Agencies (GACA) to design new projects and monitor project performance. Specific themes that would be looked into are a holistic approach to the development of ethnic minorities in upland areas, migration from rural areas and opportunities for rural youth.

- c) **Deadline:** During the entire COSOP period.
- d) **Responsible entities:** IFAD to identify grants needs to support the future pipeline and specific investments and Ministry of Planning and Investment to ensure better M&E and support the grant activities listed above.

14. Recommendation 5:

- a) **Strengthening partnerships.** IFAD will need to re-think its approach to partnerships with the private sector and donor community in Viet Nam. It is recommended that IFAD should continue to participate in the One UN Initiative, albeit in a selective manner, with regard to agenda items commensurate with its resources and comparative advantage. On the other hand, enhanced partnering with AsDB, World Bank, IFC, major bilateral donors and NGOs could contribute to more effective synergies and/or to the scaling up of successful models supported by IFAD over the last 18 years. The analytic capacity of the larger IFIs and their role in supporting the Government's donor coordination mechanisms could provide significant leverage, both for IFAD's lending programme and for its non-lending activities.
- b) **Proposed follow-up:** The IFAD office would focus on identifying, developing partnerships with the private sector, and linking business opportunities with the project provinces. At the provincial level, projects would develop the enabling environment for engaging the private sector. With regards to the partnership with the Delivery as One Initiative in Viet Nam (formal ONE UN in Viet Nam), we will maintain relationships with select UN Agencies of relevance to the strategic objectives of IFAD programming.¹³ With regards to partnerships with International Finance Institutions, opportunities for joint and cofinancing would be pursued with the World Bank and with the Asia Development Bank, among others. Partnerships would be sought with bilateral development partners in the context of promoting innovation in the IFAD supported projects. IFAD would actively engage with NGOs through participating in the NGO working groups at the central level and where possible on the ground in IFAD supported project areas. National research institutions would be important partners in knowledge management and policy dialogue.
- c) **Deadline:** During the COSOP.
- d) **Responsible entities:** MPI and IFAD to promote partnerships.

15. Recommendation 6:

- a) **Increased counterpart funding from the Government.** It is recommended that, during formulation of the next COSOP, IFAD should reach agreement with the Government on increased levels of counterpart funding, especially in view of the country's middle-income country status and numbers of poor rural people. The COSOP might also include broad criteria for determining the proportion of such counterpart funding (e.g. minimum percentage of total projects costs) in future IFAD-supported projects in Viet

¹³ Some examples include UNDP (climate change and governance issues), FAO (agriculture and rural development), UNIDO (working with the private sector and value chains) and ILO (microfinance).

Nam. The CPE recognizes, however, that counterpart funding is a matter for IFAD Management to consider at the global level, including the establishment of related guidelines (currently missing).

- b) **Proposed follow-up:** The most effective way to increase counterpart financing would be met through the budgets of the national targeted programmes at the provincial level. During the design of future IFAD supported interventions, we would ensure closer planning with the provincial governments to ensure integration of our activities into the implementation of the Government programmes, provincial budgets, aligning objectives, so that the level of counterpart financing would increase.
- c) **Deadline:** During the COSOP.
- d) **Responsible entities:** MPI, Provincial governments and IFAD.

16. Recommendation 7:

- a) **A strategic approach to the conservation of natural resources and response to the impact of climate change.** IFAD should scale up its involvement in issues relating to the environment, natural resources management and climate change. While it is true that other donors are heavily engaged in these areas, IFAD is in a unique position to explore the impact of potential environmental damage and the effects of climate change on the rural poor. It is also well placed to introduce measures against erosion or salt water intrusion or in support of forest cover rehabilitation. This should be an important feature of the next COSOP and, possibly, one of the key pillars of IFAD's future engagement in Viet Nam. While these issues are largely peripheral to current programme design in Viet Nam, and are not commensurate with the priority given to such concerns, they are important features of Government policy and programmes. IFAD could well make a valuable contribution to developing local-level approaches that support the efforts of both the Government and the international community.
- b) **Proposed follow-up:** Efforts would be focused on supporting farmers' adaptation through appropriate extension and research by provincial and national research networks, strengthening both climate change technology transfer and the upscaling of autonomous adaptation undertaken by smallholder farmers, raising provincial staff awareness of climate change risk and integrating climate proofing tools into lower level planning processes, supporting the development and improvement of provincial action plans for addressing climate change risks, ensuring the incorporation of climate change factors into the provincial SEDP, and feeding these lessons to national level policies for response to climate change.
- c) **Deadline:** During the COSOP.
- d) **Responsible entities:** Provincial Peoples' Committees at all levels, MARD, MONRE and IFAD.

17. Recommendation 8:

- a) **A strengthened IFAD country office.** The CPE believes that IFAD's country office in Viet Nam has made an important contribution to the overall success of its country programme. The establishment of a country office with sufficient capacity to support project preparation, implementation and supervision has been broadly successful and should be maintained. Looking forward, policy dialogue at the central level and the scaling up of successful innovations will need to be more systematic, anchored in IFAD's operational field experience, and in line with the structures and processes of the Hanoi Core Statement. IFAD will need to provide its country office with clear guidelines on prioritizing

this agenda, in line with IFAD's new business model and an enabling work environment, i.e. appropriate human and financial resources.

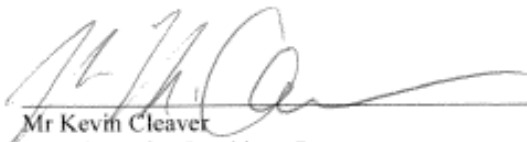
- b) **Proposed follow-up:** With regards to policy, there have been efforts to learn lessons emanating out of the projects, and provide feedback to the national level Ministries. We will step up our efforts for policy dialogue at the national level with the National Assembly, and at the provincial level with the Provincial Peoples' Councils. Systematic learning processes would need to be put in place through the M&E system, and knowledge products developed to ensure that our target group is reached. To ensure that this is possible, the country office would hire a KM officer, and the CPM would dedicate more time to the policy dialogue at the central level.
- c) **Deadline:** During the COSOP.
- d) **Responsible entities:** IFAD.

Signed by:



Date: 16/02/2012

H.E. *Nguyen The Phuong*
 Vice-Minister of Planning and Investment
 Ministry of Planning and Investment
 Government of the Socialist Republic of Viet Nam
 Hanoi



Date: 7 March 2012

Mr Kevin Cleaver
 Associate Vice-President, Programmes
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 Rome

Project Pipeline

Project Concept Note 1: Programme Based Support for Implementation of the National Targeted Programme for New Rural Development (NTP-NRD) Northeast Mountainous Region

Background

1. In the future, MARD's role in achieving Government's poverty reduction goals through promotion and facilitation of sustainable market-based opportunities will be critical¹⁴. The policy for New Rural Development¹⁵ (*Tam Nong*) sets out a framework for the continued development of rural areas and a substantial agenda in addressing both poverty and broad-based agricultural growth, closing the growth and poverty gap between those poorer and better-off provinces, addressing the issues of continued low agricultural and labour productivity; low value and low quality agricultural production; lack of strategic and operational clarity in identifying and promoting market-driven options for tapping agricultural comparative and competitive advantage; reversing the threats on sustainable natural resource management and associated forest degradation.
2. Following *Tam Nong*, on 16 April 2009, the Government issued Decision No. 491/QĐ-TTg on the establishment of a set of 19 national criteria for "New Rural Commune", "New Rural District" and "New Rural Province". These criteria, covering all socio-economic development aspects (master planning and master plan implementation, transport, irrigation, power, school, technical facilities, rural market, post office, housing, income, number of poor households, labour structure, production organization, education, health care, culture, environment, socio-political organizational system and social security) form the basis for the development of several national and sectoral development programmes. The National Target Programme for New Rural Development (NTP-NRD) for the period 2010-2020 with a vision to 2030 will bring under one umbrella the existing NTPs in the rural and agricultural sector and re-align them – through an estimated twenty-two separate projects or sub-programs. As a new umbrella programme, the NTP-NRD builds on the experience of past and current government programmes and comprises central and provincial components and will soon be approved by the Government. It intended that financing for the NTP-NRD will come from various sources, with substantial contributions expected from the business and cooperative sector (around 30%) and the banking / rural finance sector (around 20%), in addition to national and provincial state budget resources (around 40%) and peoples contributions (around 10%). It is significant that these private and rural finance sector contributions are explicitly identified, since this further indicates a shift to a more comprehensive and integrated programmatic approach.
3. Carrying out a programme based approach (PBA) would enable the possibility of achieving a stronger operational linkage and integration between proposed financing and provincial-level agriculture and rural development strategies with budgetary allocations and the NTP-NRD. Institutional reform would be carried out through a

¹⁴ It is still too early to assess the impact of WTO membership on the ARD sector and rural poverty, however, many observers predict that the new economic opportunities which membership offers Vietnam are likely to contribute to rapid migration, urbanization and land sales which in turn will generate new vulnerable groups and pockets of poverty. Particular attention will have to be paid to ensuring that the poor and small producers are benefitted rather than hurt by the WTO agreement.

¹⁵ Resolution No.26-NQ/TW, dated 5 August 2008, of the 7th Congress by the Session X Central Executive Committee on Agriculture, Farmers and Rural Areas.

process of systematic and strategic improvements in the annual planning and budgetary processes and strengthening of key institutional roles and processes at Provincial, district, and commune, village levels. The PBA is ultimately to help the Provincial Government attain a substantially enhanced participatory “planning, budgeting, implementation and governance cycle” (“PBIG cycle”). Accordingly, for implementation, institutional and policy reforms and development and re-orientation of public expenditures will need to take place.

4. The basic principles for a PBA are as follows:
 - **Government ownership.** The programme would be based on an Agriculture and Rural Development Plan prepared by the province, which is consistent with the overall Province Socio-Economic Development Strategy, and with the principles of the NTP-NRD. The programme would be designed to provide build capacity for implementation of the province Agriculture and Rural Development Plan.
 - **Single comprehensive program and budget framework.** Financing will come from various sources, including: (i) national and provincial state budget resources – incorporating funds from the various NTPs and other rural sector programmes; (ii) IFAD loan funds; (iii) private sector businesses; and (iv) beneficiary contributions.
 - **Efforts to increase use of local systems over time.** The programme will adopt a phased transition from a project-based approach to a full PBA over the 5 year period. This phased transition will allow capacity building to take place around essential programme management and financial management aspects of the PBA. It will also allow institutional innovations to be scaled-up and integrated into the regular government system.

Geographic Area and Target Group

5. The primary household level target group for the programme will be defined as: “poor and near-poor households, according to prevailing official classification (MOLISA), living in rural areas including households and individual of all ethnic backgrounds, age and gender.”
6. The targeting strategy would be mostly self-targeting to ensure high participation of poor households and more widespread adoption of improved practices: for example through farmer field schools and key farmer approaches. Ethnic minority households and women would be targeted through delivering extension and use of training materials in native languages of ethnic groups (where needed), visual tools and at times and locations convenient to the specific target sub-groups recognising their different roles and time burdens. To the extent possible, the recruitment of ethnic minority and women workers would be promoted.
7. The project would geographically cover 2-3 provinces in the Northeast Mountains region, selected based on the following criteria: (i) prevailing poverty rates and poor household numbers in the underlying provinces (strongly weighted by ethnic minorities poverty); (ii) commitment, readiness and absorptive capacity of the province for implementing and mainstreaming innovations particularly related to market orientation and climate change; (iii) past project performance, should there have been a previous IFAD or equivalent bilaterally funded project and potential impact of further IFAD investment; and (iv) Government endorsement of the need for resources for the province, taking into consideration provincial budgets including NTP-NRD counterpart financing, private sector contributions and other development partner resources.
8. The project would need to take into account the specific situation and needs of ethnic minority women, men and rural youth. For ethnic minority youth, in particular, this

means providing them with opportunities through which to learn necessary life-skills and vocational skills to ensure their future well-being and to develop their interests. For ethnic minority women, it means enhancing their learning opportunities to regain and assume new leadership and entrepreneurial roles in their communities. For ethnic minority women, it means increasing the opportunities for productive and stable on-farm and off-farm employment. A gender sensitive approach which clearly differentiates and responds to these needs is warranted.

9. Interventions to maintain the momentum of poverty reduction are to centre around
 - (i) transparent targeting criteria giving priority to ethnic minorities and women;
 - (ii) institutional capacity development, linked to more gender sensitive, climate smart, and market oriented socio-economic development planning process at commune level;
 - (iii) increased investment in rural infrastructure and health services, including vocational training, particularly for women;
 - (iv) empowered rural men and women, particularly ethnic minorities, managing community allocated funds;
 - (v) conditional support, including cash transfers and scholarship programmes, especially for ethnic girls; and
 - (vi) increased awareness building for women on improving nutrition for children, particularly in ethnic minority groups.

Justification and Rationale

10. The provinces in the North-East region are largely agricultural and their economies have only recently begun to develop market-oriented cash based production on a larger scale. For most households, production of rice for self-consumption remains an important part of household livelihoods and dominates production on the limited available areas of agricultural land, especially in the upland areas. At the same time, numerous market opportunities and potential comparative advantage strategies exist for the development of the rural economy in livestock, crops, aquaculture and forest products in part driven by the rapidly growing market of the Red River Delta region with its population of around 20 million people. The programme therefore needs to support the development of the main productive sub sectors by exploiting market opportunities and comparative advantages tailored to different locations and types of rural household. The transition to more market oriented agriculture will also require productivity gains in basic food crop production so productive resources, especially land and labour, can be assigned to higher value cash-based production.
11. Particularly relevant would be to support the transition in the rural sector, there would be a strong emphasis on building enabling environments for engagement of the private sector providing rural jobs and generating rural income, developing and promoting pro-poor value chains linking rural poor households to the growing demand in urban centres, and building farmer-buyer arrangements lowering the risks of farmers to diversify, add value. These initiatives would be underpinned by participatory market oriented SEDP at provincial, district and commune levels. At the same time, the programme would continue to recognise the importance of supply to local markets by poor farmers. Generation of income and jobs from rural non-farm activities will be enhanced, targeted towards poor rural households and women, through access to community managed climate proofed market access infrastructure, demand-driven extension enhancing the competitiveness of agricultural products, promotion of non-farm rural employment, and savings and credit activities.
12. There needs to be a series of profound institutional reforms while developing new strategies, approaches, farming packages to achieve a broad range of newly articulated sector goals within a rapidly shifting context for agriculture. All Strategic objectives of the COSOP are relevant in the guiding of this programme.
13. The rationale for some of the North-Eastern provinces to move into a PBA includes:

- Scaling-up and Sustaining the Results of Past IFAD Support: Positive results from IFAD's past experience in the provinces, promoting the scaling-up, institutionalization and sustainability of numerous project interventions and innovations which were successfully developed, tested and implemented into the on-going Government programmes and activities (including NTP-NRD, P135 Phase 2, Programme 30 A).
- Private Sector development: A PBA will help lay the required conditions and supporting actions for promoting the development of a more dynamic and inclusive private sector. Private sector development is in an incipient phase, and there is a need to broaden the targeted interventions, including appropriate policy and regulatory reforms consistent with its comparative and competitive advantage (including value chain development), rather than just focusing on a targeted approach with low income ethnic minorities, and isolated and micro-level interventions for private sector development.
- Commitment and Capacity of Provincial Government: Provincial leadership is committed to mobilize available and additional resources to help realize their potential. The leadership of the Province is committed to introducing the use of public expenditure analysis (diagnostic and forward-looking aspects) as a tool for better assessing expenditure efficiencies and setting and re-orienting priorities, beginning with the agriculture and rural development sector.

Goal and Purpose

14. The **goal** of the programme is to reduce poverty and hunger for rural poor and ethnic minority households in selected Northeast provinces. The purpose of the programme would be the mainstreaming of innovations in the NTP-NRD, and improve quality and effectiveness of agriculture and rural development strategies in the province.
15. The proposed component outcomes are: (i) a competitive, market-oriented agricultural economy based on smallholder production exploiting local comparative advantages, while improving rice productivity for self-consumption; (ii) a demand responsive, sustainable system of high quality agriculture and key rural services and infrastructure to support the development of a competitive and inclusive agricultural economy; (iii) strengthened commune and village level participatory planning, implementation, and management of decentralized expenditures for commune infrastructure and support services for agriculture and rural development, as part of the commune and village level SEDP process and related expenditure priorities; and (iv) enhanced institutional capacity and roles of key stakeholders in agriculture and rural development at all levels strengthened to implement pro-poor market-driven policies, strategies and decentralized decision making and budget management.

Components and Activities

16. **Component 1: Promotion of subsectors** - The Programme will address the following productive sub-sectors: (i) crops – including cash crops and subsistence crops (mainly rice); (ii) livestock - including pigs, chickens, cattle and buffalo, aquaculture; (iii) forestry – including economic forestry sub-sector and natural resource management. For the development of market-oriented agriculture in each of the sub-sectors, the programme will be guided by a common approach that will be adapted to the specific priorities, constraints and opportunities in each sub-sector. The main elements of the approach include:
 - Farmers and communities making informed and free choices on their production priorities having being presented with accessible and reliable information of the range of different market and production opportunities suited to their area and resources.

- Mainstreaming of improved technology transfer approaches (FFS, FD etc.) of field validated and appropriate improved production practices to farmers, including associated costs, benefits and risk.
 - Availability of affordable inputs and services (e.g. feed, plant / animal health), where possible produced competitively to high quality, but from locally available production (e.g. forages for animal feed).
 - Improved access to rural finance for farmers to invest in market-oriented production of their chosen products.
 - Concentrated production zone development, based on farmer self-selecting decision to participate in production of the concerned crop/product and the establishment of necessary productive infrastructure for the commodity zone.
 - The formation of common interest groups (CIGs) and construction of local wholesale markets to facilitate transaction with buyers where necessary
 - Pro-active facilitation of private sector investment and sourcing in priority industries by medium and larger buyers and processing companies, in particular once large scale production resources are available.
17. **Component 2: Support Services Development** - A demand responsive, sustainable system of high quality agriculture and rural services and infrastructure would be developed to support the development of a competitive agricultural economy. For irrigation, recognising the past weakness in O&M, a small number of models will be established on improvement of irrigation scheme use and management efficiency using new locally adapted technical and management norms. Once validated, successful models will then be more widely promoted within the province.
18. For rural financial services, the strategy will be to work with VBSP to roll-out the network of SCG to all communes, within the mainstream framework of VBSP, targeting poor households. In parallel the programme will promote the formation of a network of joint liability groups (JLGs) as a conduit for bank lending, with support of the Farmers' Union and Women's Union with larger loans available from VBARD to enable farmers with limited collateral to access larger productive loans through the JLGs. The programme will provide seed capital through matching grants to new and expanded SCG and also to VBARD in support of the JLG lending mechanisms.
19. **Component 3: Community Empowerment (SEDP Commune Development Fund/CDF)** - The Commune Development Fund is a strategic mechanism to promote directly bottom-up planning and implementation of SEDP processes at commune and village level, including decentralized funding from both Government and donors. It is a direct complement to the provincial and district level provision of infrastructure and key services outlined in Component 2 above, but with decision making and accountability decentralised at the closer possible level to the end user to improve responsiveness to local needs. The programme will roll-out the participatory commune SEDP process and associated Commune Development Funds, under which the CPC is the Investment Owner.
20. **Component 4: Institutional Development for NTP-NRD** - Activities include the following key elements:
- strengthening cooperation and coordination among the four key stakeholders in agriculture and rural development, namely the farmers, the public service providers, the private sectors, and the scientists and researchers;
 - development and strengthening of community-based organizations and interest groups, strengthening of household's capacities in business management and their expanded access to services;
 - public administration reforms and institutional capacity building programmes, promoting decentralization and strengthening capacities to develop and

- implement sound agriculture and rural development strategies and efficiency-based planning, allocation and management of public resources;
- knowledge management activities designed to capture and share information and knowledge related to research and innovation in order to promote good practice, scale up innovations and influence policies; and
- establishing a Programme Coordination Unit (PCU) to support the PPC and DARD in programme delivery and inter-agency coordination.

Issues on which the team seeks guidance

21. IFAD seeks guidance on the following:

- Shaping the development objectives
- Allocation of IFAD resources;
- Selection of districts and communes for inclusion in the project;
- Most appropriate location of the provincial PMUs in pulling together the various project activities; to minimize overlap and ensure maximum national benefit;
- Possible like-minded-donors who would be interested to co-finance;
- Duration of the project.

Costs and Financing

22. The project is estimated to cost USD 82.5 million, including an IFAD loan of USD 43 million, IFAD grant of USD 1 million, a government contribution of USD 76 million through the NTP-NRD, and USD 2 million in beneficiary co-financing. Project costs by component are estimated as follows:

Component	Component Funding (USD million)					Total
	IFAD loan	IFAD grant	GoV	Private Sector	Beneficiary Co-financing	
Subsector Development	13.0	0.5	26.0	0.0	2.0	41.5
Support Services Development	12.0	0.0	24.0	0.0	0.0	36.0
Community Empowerment (SEDP Commune Development Fund/CDF)	13.0	0.0	26.0	0.0	2.0	41.0
Institutional Development	5.0	0.5	0.0	0.0	0.0	5.5
Total	43.0	1.0	76.0	0.0	2.0	124

Organization and Management

23. At the Provincial level, a Provincial Project Steering Committee has been established for the NTP-NRD. The proposed programme would establish a separate PSC to feed into the PSC for NTP-NRD. A PMU would be established for day-to-day management and operations, and implementation would be decentralized to the relevant levels. The main responsibility for component implementation and coordination of technical inputs will be with DARD. A critical element of the delivery of the sub-sector strategies is the significant upgrading of an Agricultural Market Development Unit (AMDU) within DARD to ensure its adequate capacity and focus to deliver a market-

oriented approach. To complement the provincial level AMDU, Agricultural Market Development officers would be recruited in each district and in each commune.

24. At the District level, the DPC would implement project activities with particular involvement of the Agricultural Market Development officers, accountant and infrastructure coordinator. In many respects, the district level is most critical, because this is the point at which province policies are converted into services on the ground. With the increased decentralization of planning and budgetary responsibilities envisaged, the district administration will have the major role in supporting the communes.
25. At the commune level, the CPC would be the focal point to all project activities, with particular involvement of the Agricultural Market Development officers, accountant and infrastructure coordinator.
26. While their engagement is difficult to forecast, it is foreseen that private sector stakeholders would be key in driving the value chain initiatives.

Project Concept Note 2: Inclusive Market Development and Agricultural Diversification in the Central Region¹⁶

Background

1. In recent years, there has been much debate in Vietnam concerning the potential for dependency amongst some ethnic minority communities on external support. The Country Social Assessment conducted by the World Bank in 2009¹⁷ identifies six main areas of difference which lead to comparative disadvantages for ethnic minorities, including: (i) less access to quality education with consequently lower levels of educational attainment and achievement; (ii) limited mobility which keeps ethnic minorities from expanding their networks, limiting access to new ideas and technologies etc.; (iii) limited access to financial services which limits opportunities to improve production and engage in new businesses; (iv) reliance on less productive land resources combined with less diversified non-farm or off-farm income and employment opportunities; (v) lower market access and poorer returns from markets combined with less involvement in trading or service provision; and (vi) stereotyping whereby ethnic minorities are in some cases subject to social attitudes and inappropriate policies which inhibit their participation in socio-economic development.
2. While some of the constraints on physical assets are similar for all population groups in the remote rural areas (e.g. weak infrastructure and limited physical access to markets), many of the most critical and distinctive factors of ethnic minority poverty are related to human and social capital development. For any project working with ethnic minority poverty reduction, therefore, there are two major implications. Firstly, with regard to human capital, it is necessary to have a highly articulated gender strategy which takes into account the particular situation and respective needs of ethnic minority women, men and youth. Secondly, with regard to social capital, it is necessary to strengthen and work through community based organizations based on existing social structures, and which will help these communities to develop self-reliance in adapting to the modern day social and economic context.
3. Literacy and language constraints continue to be a major concern for many ethnic minority women in particular. This is an aspect in which there is a large discrepancy between official statistics and reality. In some localities in Vietnam, with the official achievement of the universalization of primary education, funding for adult literacy and basic education classes has been reduced; yet many ethnic minority women continue to lack essential national language and functional literacy skills.¹⁸ In particular, there is a need for better numeric skills to deal with the market place, and bi-lingual training programs that use ethnic minority languages. One study concluded that the gap between what women used to know and was highly valued in traditional society and what women need to know to survive in modern-day contexts has widened to such an extent that many non-Kinh women are no longer convinced that their traditional knowledge of livelihood systems has any utility.

¹⁶ This region is including North Central Coastal, Central Coastal, South East regions

¹⁷ World Bank, (2009), Country Social Assessment: Ethnicity and Development in Vietnam, East Asia Social Development Unit, World Bank, Washington DC.

¹⁸ VASS (2009) Participatory Poverty Assessment: Synthesis Report, Vietnam Academy of Social Sciences, Hanoi.

Geographic Area and Target Group

4. The project is to be implemented in selected poor districts in a number of provinces of the Central Region. Poorer districts are located in parts the provinces, and are generally less well-endowed in terms of the natural resource base for agricultural production and development of the rural economy, as compared to other districts of the provinces where the major commodity crops including coffee, pepper and rubber are concentrated. The selected districts would be characterized by a higher proportion of minorities, and by a high poverty rate and/or number of poor households.
5. While the project would target districts, the province in which the district is located would need to follow the following criteria: (i) prevailing poverty rates and poor household numbers in the underlying provinces (strongly weighted by ethnic minorities poverty); (ii) commitment, readiness and absorptive capacity of the province for implementing and mainstreaming innovations particularly related to market orientation and climate change; (iii) past project performance, should there have been a previous IFAD or equivalent bilaterally funded project and potential impact of further IFAD investment; and (iv) Government endorsement of the need for resources for the province, taking into consideration provincial budgets including NTP-RCC, NTP-NRD counterpart financing, private sector contributions and other development partner resources.
6. The project would target the poor, with a special focus on ethnic minority women, men and youth. For ethnic minority youth, in particular, this means providing them with opportunities through which to learn necessary life-skills and vocational skills to ensure their future well-being and to develop their interests. For ethnic minority women, it means enhancing their learning opportunities to regain and assume new leadership and entrepreneurial roles in their communities. For ethnic minority men, it means increasing the opportunities for productive and stable on-farm and off-farm employment. A gender sensitive approach which clearly differentiates and responds to these needs is warranted.
7. Interventions to maintain the momentum of poverty reduction in are likely to centre around (i) transparent targeting criteria giving priority to ethnic minorities and women; (ii) institutional capacity development, linked to more gender sensitive, climate smart, and market oriented socio-economic development planning at commune level; (iii) increased investment in rural infrastructure and health services, including vocational training, particularly for women; (iv) empowered rural men and women, particularly ethnic minorities, managing community allocated funds; (v) conditional support, including cash transfers and scholarship programmes, especially for ethnic girls; and (vi) increased awareness building for women on improving nutrition for children, particularly in ethnic minority groups.

Justification and Rationale

8. The major constraints faced by the indigenous ethnic minority communities in the project area are, therefore, not so much to do with their lack of involvement in agricultural markets and labour markets, but rather their limited capacity to diversify and increase their productivity within these markets, due to a range of market barriers and resource constraints.
9. It will, be important make improvements in crop production techniques, as well as promoting the diversification of production and income sources to enhance food security and to reduce household vulnerability to price fluctuations and climatic fluctuations. It will also be important to address market barriers faced by ethnic

minority farmers in these annual cash crop markets. The removal or amelioration of these markets barriers would, in itself, do much to improve the economic situation of the target groups. These complex market barriers arise from various economic, institutional and cultural factors, and commonly include:

- Limited bargaining power with farm-gate traders, including a lack of price information and knowledge of how agricultural markets operate, and a lack of numeric skills (i.e. weights and measures) and national language skills to ensure fair price negotiations.
 - The prevalence of local petty traders in farm-gate trading for some annual cash crops, such as cassava, who may take advantage of the lack of market knowledge amongst ethnic minority producers to reduce farm-gate prices through various usury practices. There is also a lack of regulation of these traders by the district authorities.
 - The prevalence of un-regulated 'production contract' relations with traders, in particular for sugar-cane, whereby production inputs are advanced to farmers by the traders, who in turn control farm-gate prices for the product.
 - Inadequate post-harvest crop storage facilities, which may force farmers to sell their products at the time of peak supply and hence with reduced price. For instance, this is particularly critical for cassava because the beginning of the harvesting season coincides with the end of the rainy season, and with the traditional festival season, which means that farmers face difficulties in storage and sale of their products.
 - Limited development of producer or marketing cooperatives, or of 'cooperative groups' in the project area, with the result that there is a lack of social organization and collective bargaining power amongst ethnic minority producers.
10. It is recognized by provincial officials that the land allocation process, and the involvement of indigenous ethnic minorities in agricultural land markets, is complicated for a variety of reasons. Their cultural unfamiliarity with intensive farming practices, and with the ways in which land markets operate, mean that many indigenous ethnic minority farming communities are still ill-equipped to make the transition to more intensive production systems. Today, many rural communes in the region are populated by both indigenous ethnic minorities and migrants from various parts of the country, which creates a socially complex context for strengthening local governance institutions to ensure equitable land distribution. It is recognized, however, that there are a number of outstanding issues related to land allocation, including: (a) the situation of newly divided 'satellite' villages, which are often made up newly-separated young households and poor households with limited land assets; (b) the situation whereby a some ethnic minority households sell their newly allocated land indiscriminately; and (c) the slow pace of SFE reform and limited re-allocation of forest land to households.
11. Casual and seasonal labour is a critical element of the livelihood strategies of many households in the project area, particularly the poor and young households with limited land assets. The involvement of indigenous ethnic minorities in labour markets is still constrained by a lack of vocational skills to obtain more lucrative off-farm employment, as well as by a lack of self-confidence, national language skills and knowledge about labour opportunities.
12. To support the transition in the rural sector in programme provinces, there would be a strong emphasis on building enabling environments for engagement of the private sector providing rural jobs and generating rural income, developing and promoting pro-poor value chains linking rural poor households to the growing demand in urban centres, and building farmer-buyer arrangements lowering the risks of farmers to diversify, add value. These initiatives would be underpinned by participatory market oriented SEDP at provincial, district and commune levels. At the same time, the

country programme would continue to recognize the importance of supply to local markets by poor farmers. Generation of income and jobs from rural non-farm activities will be enhanced, targeted towards poor rural households and women, through access to community managed climate proofed market access infrastructure, demand-driven extension enhancing the competitiveness of agricultural products, promotion of non-farm rural employment, and savings and credit activities. IFAD supported investments would focus on enhancing the resilience of poor farmers in light of changing climatic conditions and more frequent natural disasters, targeting “no regret” approaches that enhance livelihoods, sustainable agriculture and poverty reduction. IFAD would address the gap when it comes to implementation of adaptation and mitigation in agriculture at the household level, supporting ongoing farmers’ adaptation through appropriate extension and research, developing provincial action plans for addressing climate change risks, ensuring the incorporation of climate change factors into the SEDP, and feeding back these plans and lessons to the national level for incorporation into investment plans, national targeted programmes and other policies.

13. There needs to be a series of profound institutional reforms while developing new strategies, approaches, farming packages to achieve a broad range of newly articulated sector goals within a rapidly shifting context for agriculture and rural development and the increasing impact of climate change. All Strategic objectives of the COSOP are relevant in the guiding of this project.

Goal and Purpose

14. The **goal** of the project is to reduce poverty and hunger for rural households, with focus on the poor and indigenous ethnic minority households. The **purpose** of the project would be as follows:
 - Potential productive resources utilized and managed effectively to increase sustained value of production;
 - Market oriented competitive production and processing systems developed and effectively managed;
 - Vulnerability of target communities reduced through development and maintenance of integrated systems of infrastructures, human and social capital enhancement, and diversified on-farm and off-farm incomes;
 - Institutional roles and capacity of key stakeholders in agriculture and rural development at all levels strengthened to implement pro-poor market-driven policies, strategies and decentralized decision making & allocations.

Proposed Components and Activities

15. One of the main constraints faced by the indigenous ethnic minority communities is the lack of information and learning opportunities that are directly related and adapted to their particular culture, language and social organization. Difficulties in communicating in the national language, and low levels of functional literacy especially amongst ethnic minority women, continue to serve as barriers to improved access to markets, employment and income earning opportunities. These market barriers include their limited bargaining power with farm-gate traders, a lack of price information, a lack of numeric knowledge and skills to ensure fair price negotiations, as well as broader awareness of how agricultural markets operate.
16. The proposed project would take a coherent approach that takes steps such as the following:

- equipping indigenous ethnic minority households and communities with the necessary knowledge and skills to interact with agricultural markets and labour markets in more equitable ways;
 - focus on a coordinated range of interventions that will improve the sustainability of existing annual cash crop production systems and ameliorate market barriers;
 - promoting the development and diversification of home-garden production systems, in order to help increase household food security and reduce vulnerability;
 - expanding the opportunities for smallholder producers to supply the cattle production systems and value chain for the planned meat processing industries;
 - promoting the diversification of micro-enterprise activities and seasonal income generation activities;
 - supporting the formation of culturally appropriate farmer organizations and common interest groups;
 - investments in of small-scale productive infrastructure at village level, linked to improved production, market access, water resources management, and local employment opportunities; and
 - increasing the quality and appropriateness of vocational skills training provided to ethnic minorities, particularly young adults.
17. **Component 1: Strengthening institutional mechanisms for pro-poor market development** This component would entail conducting value chain assessments and market analysis on product lines that generate greater profits for the poor in the project districts and communes; specific initiatives to encourage the private sector to support the integration of the rural poor in agricultural markets in more effective ways; developing policies to encourage and support the formation of effective cooperative groups and micro-enterprise activities amongst the target groups; piloting organizational models for linking producers with private sector services, suppliers, technical advice and markets in more effective ways; developing appropriate Rural Financial Services for micro-enterprise and economic farm development, and small-scale trading and processing enterprises; preparing operational guidelines and training curricula for linking employment skills training to productive infrastructure works; materials production for the Market Knowledge, Training and Information Program for ethnic minority farmers; and monitoring, lesson-learning, and supporting the integration of successful models with province policies and national policy initiatives.
18. **Component 2: Enhancing the economic capacities of the rural poor** - This component would entail building local capacity for effective market assessment and planning and utilization of the resource base; improved production and processing systems for income generation and food security; demonstrating improved production and processing technologies; strengthening community organizations and farmer groups; strengthening regulatory systems and public services; and facilitating private sector involvement in market development.
19. **Component 3: Employment linked commune infrastructure fund** – This project would entail infrastructure investment management and construction skills training. This component will introduce an improved and more systematic approach to linking investments in productive infrastructure to improved employment opportunities for local labourers. This will be through the provision of construction skills training and providing short-term employment on construction works funded by the project. Longer-term employment opportunities will also be enhanced through re-fresher training and the step-by-step approach to increasing the skills of the local labour force. For labourers from poorer households and young households in particular, this will also serve as a productive safety net by increasing household cash reserves.

Issues on which the team seeks guidance

20. IFAD seeks guidance on the following:

- Shaping the project development objective and allocation of IFAD resources;
- The selection of districts and communes for inclusion in the project
- The most appropriate location of the provincial PMUs in pulling together the various project activities to minimize overlap and ensure maximum national benefit;
- Possible like-minded-donors who would be interested to co-finance;
- The duration of the project.

Costs and Financing

21. The project is estimated to cost USD 52.4 million, including a USD 38 million IFAD loan, USD 1 million from IFAD grant funds, a USD 7.6 million government contribution delivered through the NTP-NRD, and USD 3.8 million in beneficiary co-financing. We do envisage that there will be a contribution from the private sector. Project costs by component are estimated as follows:

Component	Component Funding (USD million)					
	IFAD loan	IFAD grant	GoV	Private Sector	Beneficiary Co-financing	Total
			20%	10%	10%	
Strengthening institutional mechanisms for pro-poor market development	6	1.0	1.2	0.0	0.6	8.8
Enhancing the economic capacities of the rural poor	20	0.0	4.0	2.0	2.0	28.0
Employment linked commune infrastructure fund	12	0.0	2.4	0.0	1.2	15.6
Total	38	1.0	7.6	2.0	3.8	52.4

22. With regards to cofinancing and partnerships, present some of the principal opportunities appear to lie with:

- Asian Development Bank – which is carrying out an infrastructure development project, focussed at the district level, on rehabilitation of key infrastructure.
- World Bank is developing a Central Highlands Project of USD 150 to 250 million, possibly to include relatively poor districts in the highland parts of Quang Nam and some other provinces with support to: (i) participatory planning processes, (ii) improvements in key productive/other community infrastructure, and (iii) various livelihood initiatives, perhaps with a combination of grants and microfinance for group/community initiatives in agriculture, crafts, etc.
- JICA – development of an infrastructure project with elements of community based integrated rural development
- Private sector (Nestle, PEPSICO) – development of demonstration sites, outreach and dissemination to smallholder farmers, contract farming and sourcing of material.

Organization and Management

23. Component 1 will support the Province to establish a cross-sector coordination mechanism under the project, which in turn will serve as a platform for integrating lessons and institutional innovations from the project into the broader Agriculture and Rural Development (A&RD) policies and programs of the province. A Technical Working Group (TWG) will be established to facilitate this process. The main focus and function of the TWG activities will be to propose, develop and assess specific mechanisms through which the target group of the project (i.e. poor farm households and ethnic minority farming communities) can be more actively and profitably engaged in agricultural markets and labour markets to promote diversified livelihoods and income earning opportunities.
24. The TWG will work under the guidance of the Project Steering Committee (PSC), with support and coordination from the Province Project Coordination Unit (PPCU). It will consist of specialists from those province agencies that are already involved in the Project Preparation Board, plus additional agencies as required, representing a continuation of this organizational arrangement into the project implementation phase. The proposed core members of the TWG will include the following:
- Sub-department of Cooperatives and Rural Development under DARD,¹⁹
 - Province Extension Centre (PEC) under DARD;
 - Other technical sections of DARD as required for specific TWG activities;
 - Province Committee on Ethnic Minorities;
 - Industrial Extension and Trade Promotion Centre under DTI;
 - Investment Promotion Centre under DPI;
 - DOLISA and the Vocational Training Schools under DOLISA;
 - Province Farmers Association;
 - Province Women's Union;
 - Province Business Association;
 - Tay Nguyen Forestry Training School;
 - VBARD and VBSP representatives.
25. The essential feature of the implementation approach under Component 2 is that it will require a coordinated and integrated range of activities involving different public and private sector agencies, and the mass associations, at district and commune levels. Various district technical sections will need to be actively involved (including the Agriculture and Rural Development Section, the District Extension Station, and the Commerce Section). Active and effective coordination of these activities will be required through the District Peoples Committee (DPC). For component 3, the Commune Peoples Committee (CPC) will be the Investment Owner, with funds disbursed through the commune fund accounts, assisted by the Commune Project Management Board (CPMB) and the DPC to provide necessary coordination.

¹⁹ This Sub-Department of DARD at province level, and the corresponding Department of the Ministry of Agriculture and Rural Development (MARD), is primarily responsible for guiding and monitoring the development of the NTP-RD in this sector.

Project Concept Note 3: Adaption to Climate Change in the Mekong River Delta Region

Background

1. Viet Nam is a country that will be disproportionately impacted by climate change over the coming decades. In more recent years, Viet Nam has seen an almost literal explosion in the number of strategic and operational initiatives coming on line to confront climate risk and climate change. Since 2008, when the National Target Program for Response to Climate Change (NTP-RCC) and the Action Plan Framework for Adaptation to Climate Change in the Agriculture and Rural Development Sector were approved, there has been tripling of investment in climate change response relative to that of the previous fifteen years. From 2008 until present, at least US\$0.9 billion have been committed for adaptation, mitigation, capacity building, research, and awareness raising investments. MONRE, who is charged with the implementation of the NTP-RCC, is reportedly in the process of developing the overarching strategy for its implementation. In the meantime, the principal challenges would seem more to lie with the various line ministries who themselves are charged, under the NTP-RCC, to develop their own sector's strategy and action plan for climate change response.
2. For the agricultural and rural development sector, MARD developed its national-level framework some three years ago and earlier this year approved the strategy/action plan for its implementation: the *Action Program In Response to Climate Change of the Agriculture and Rural Development Sector During 2011-2015 and Vision to 2050*. While the longer term vision to 2050 provides for a reasonably comprehensive approach, the priority investments in the five year plan are heavily oriented towards "hard"²⁰ investments in dikes, levees, and hydraulic structures. The inclusion of such key issues as integration into the SEDP process, poverty reduction, household-level food security among vulnerable populations, support for and facilitation of farmer-led adaptation processes, sustainable natural resources management, or other needs for "soft" adaptation measures of the type required to increase local institutional capacity and social capital for building resilience, is not clear. Moreover, the Action Program does not set out to address the mainstreaming of climate change responses into the ARD sector's other programs, especially the poverty reduction and rural development programs that fall under the NTP-NRD umbrella. It is clearly through those programs where MARD and the Provinces have the greater opportunity to work through issues of ensuring that rural development investments are climate smart and support both the building of adaptation capacity as well as the adaptation processes themselves.
3. There will be three key objectives to achieve in order for the COSOP to deliver climate smart outcomes. First, it will be critical to elevate to the level of the ARD sector's policy dialogue the issues of pro-poor climate change adaptation and mitigation. Secondly, the principal instruments of Government for addressing the needs of the rural poor and vulnerable populations are its programs for agriculture and rural development, poverty reduction and disaster risk management. While the Action Program is important as well, it is only a partial instrument whose role should be to ensure that these other programs internalize natural disaster and climate change risks and themselves support climate proofing of rural communities and livelihoods and make climate smart investments. Thus there is a fundamental need to align these several programs and ensure that their investments jointly contribute

²⁰ In most definitions, "hard" adaptation measures usually imply the use of specific technologies and actions involving capital goods, such as dikes, seawalls, and reinforced buildings, whereas "soft" adaptation measures focus on information, capacity building, policy and strategy development, and institutional arrangements (World Bank 2010c).

to climate smart rural development and poverty reduction in the communities they operate. Thirdly, it will be at the local level where the various government support programs will require articulation through the SEDP planning process. Therefore instruments and approaches to support local-level "climate smart" investment planning and implementation through the SEDP process are essential.

Geographic Area and Target Group

4. Firstly, sensitivity to climate risk and climate change impacts is a direct function of social vulnerability. Therefore, in Viet Nam, it is the rural poor who are the most sensitive and, among the rural poor, it is the ethnic minorities, women and children who are the most vulnerable. Secondly, poverty reduction is one of, if not the best, way to enhance household and community-level capacity for adaptation. Therefore, the targeting strategy of the project would be to target poor rural households, particularly ethnic minorities, women and children.
5. IFAD will give extra weight and consideration to the regions, where the rural poor are particularly sensitive and exposed to climate risk and climate change threats and thus merit additional consideration. In order of priority, the Mekong River Delta Region stands out. On a poverty head count basis (i.e., not on poverty rate), the Delta has a very large population of rural poor and it is the region in the country that is likely to suffer the greatest impacts from climate change. It will not just be the biophysical impacts, but also the likelihood of a very large number of rural poor suffering from economic displacement as their current livelihood activities are either lost to rising sea level and/or salinization and/or increasingly scarce fresh water resources.
6. The project would cover 2-3 provinces in the Mekong, selected based on the following criteria: (i) prevailing poverty rates and poor household numbers in the underlying provinces (strongly weighted by ethnic minorities poverty); (ii) commitment, readiness and absorptive capacity of the province for implementing and mainstreaming innovations particularly related to market orientation and climate change; (iii) past project performance, should there have been a previous IFAD or equivalent bilaterally funded project and potential impact of further IFAD investment; and (iv) Government endorsement of the need for resources for the province, taking into consideration provincial budgets including NTP-RCC, NTP-NRD counterpart financing, private sector contributions and other development partner resources.
7. The project would need to take into account the specific situation and needs of ethnic minority women, men and youth. For ethnic minority youth, in particular, this means providing them with opportunities through which to learn necessary life-skills and vocational skills to ensure their future well-being and to develop their interests. For ethnic minority women, it means enhancing their learning opportunities to regain and assume new leadership and entrepreneurial roles in their communities. For ethnic minority women, it means increasing the opportunities for productive and stable on-farm and off-farm employment. While it will be beyond the scope of this project to cover all these aspects, a gender sensitive approach which clearly differentiates and responds to these needs is warranted.
8. Interventions to maintain the momentum of poverty reduction are to centre around (i) transparent targeting criteria giving priority to ethnic minorities and women; (ii) institutional capacity development, linked to more gender sensitive, climate smart, and market oriented socio-economic development planning at commune level; (iii) increased investment in rural infrastructure and health services, including vocational training, particularly for women; (iv) empowered rural men and women, particularly ethnic minorities, managing community allocated funds; (v) conditional

support, including cash transfers and scholarship programmes, especially for ethnic girls; and (vi) increased awareness building for women on improving nutrition for children, particularly in ethnic minority groups.

Justification and Rationale

9. The current Government strategies and planned responses to climate risk and climate change threats in the agricultural and rural development sector are, for the period 2011-2015, predominantly focused on: (i) for investments – hard, infrastructure investments to protect against flooding and saline intrusion in the coastal zones and deltas; and (ii) for policy and planning – further assessment of climate change and sea level rise impacts on ARD subsectors; integration into sector/subsector/local action plans, policies and planning of climate change concerns; and development of programs and projects for mitigation and adaptation and sector development. There is little explicit content or focus in either the proposed investments or the policy/planning interventions on vulnerable populations, on facilitation of autonomous adaptation by farmers and households and communities, on the need for hard adaptation measures by individuals to protect their assets or on soft interventions to support the building of local capacity for adaptation and to enhance the resilience of vulnerable communities to climate risk.
10. IFAD will primarily focus its strategy for climate smart development. By doing so, the opportunity exists to widen and deepen government's approach to social vulnerability in climate change policy, planning and investment. IFAD's role would be to promote pro-poor climate risk and climate change threat response. It would pursue this role by, among others, supporting (i) holistic approaches that include a balanced concern for poverty reduction, rural development, "soft" capacity building, and facilitation of local, autonomous adaptation responses and; (ii) better coordination and cooperation between sectors and integrated planning for public investments at the local levels; and (iii) better informed decision-making processes within the policy and planning spheres through a systematic knowledge management approach that provides policy relevant information and "learning from the field". It will be important for IFAD to engage in this dialogue to promote that climate change adaptation and mitigation resources are directed in a "climate smart" fashion towards groups where either (i) persistent, structural poverty makes natural resources-based livelihoods non-viable and provision of alternatives are required (the permanently vulnerable) or (ii) "temporary" poverty becomes persistent poverty due to recurrent losses from drought, flash flooding, and other natural disaster/climate risk-related phenomena. While the Provinces will need policy support and guidance from the national-level to allow this to happen, the national role will most usefully be of accompanying the Provinces in order to better understand the challenges, to learn from Provincial experiences, and to adapt national policies and programs to meet the operational needs on the ground.
11. Over the next two to three decades, significant upheaval in local livelihoods will be experienced as a result of sea level rise and ground subsidence with consequent saline water intrusion, increased ambient temperature and hydrological change. Two of the important primary food production sectors in the lower reaches of the Mekong River Delta that are destined to be affected are rice and catfish (*Pangasianodon hypophthalmus*) farming. In 2006, rice farming in the Mekong River Delta accounted for 50 percent of the country's rice production and in excess of 80 percent of the rice exports, while the catfish farming sector accounts for an annual revenue of US\$1.4 billion of export value (De Silva and Soto 2009). With rising sea level, areas impacted by flooding will expand. The Mekong River Delta, which would be most impacted, could see as much as 90% of its total area subjected to flooding. It is anticipated that by 2050 a 30 cm sea level rise will lead to an increase of flood inundation area deeper than 0.5 m of 276 000 ha in the rainy season. In the dry

season areas affected by salinity intrusion (>4 g/l) will increase by 420 000 ha. The combined loss of rice production due to inundation and saline intrusion will amount to about 13 percent of the 2007 total rice harvest in the Mekong Delta (IFPRI 2010 a).

12. Interviewed households in the Mekong reported that they coped with hotter days by buying fans, and with colder days by wearing more clothes. They undertook disaster risk reduction measures like preparing houses before storms. The biggest short-term needs after climate events were cash, fuel, a clean water supply, and rebuilding their house. In terms of medium-term measures, most households (more than 75 percent) said they have done nothing. Most respondents have not changed their production system in the last five years, and only a few residents have grown more trees or dug water pools to improve their farming systems. Long-term, residents had no ideas on how to adapt, they said they need more knowledge.
13. IFAD supported investments would focus on enhancing the resilience of poor farmers in light of changing climatic conditions and more frequent natural disasters, targeting "no regret" approaches that enhance livelihoods, sustainable agriculture and poverty reduction. IFAD would address the gap when it comes to implementation of adaptation and mitigation in agriculture at the household level, supporting ongoing farmers' adaptation through appropriate extension and research, developing provincial action plans for addressing climate change risks, ensuring the incorporation of climate change factors into the SEDP, and feeding back these plans and lessons to the national level for incorporation into investment plans, national targeted programmes and other policies
14. There needs to be a series of profound institutional reforms while developing new strategies, approaches, farming packages to achieve a broad range of newly articulated sector goals within a rapidly shifting context for agriculture and rural development and the increasing impact of climate change. Particularly relevant of the COSOP strategic objectives (SOs) is SO3: Enhance the capacity of poor rural households' to adapt to climate change.

Goal and purpose

15. The proposed **goal** of the Project would be to improve the incomes and reduce vulnerability of poor and near poor households in the Mekong Region. The **purpose** of the programme is to demonstrate a rural development model of environmentally sustainable, socially equitable and profitable growth inclusive of rural poor households.
16. The project through its community presence, experience and knowledge, would be capitalized upon for developing systematic and structured learning and knowledge dissemination processes for "pro-poor, climate smart" agriculture and rural development. The goal would be to inform both Provincial-led implementation efforts and to bring "learning-from-the-field" into national policy discussions. For the former, supporting Provincial governments through learning is extremely important given the decentralization of fiscal resources and management responsibilities to them and their needs to learn in near-real time in order to improve practices, methodologies, efficiencies and outcomes. For the latter, at the national level there is significant unmet stakeholder demand for consultation on policy implementation and "learning-from-the-field" in support of high-level policy dialogue (Smyle and Binh, 2009).

Proposed Components and Activities

17. From an operational perspective, the approach for the COSOP should be to avoid becoming too prescriptive as the types of threats, practices and opportunities will be dependent on the context and content of the future projects. There are, however, important steps that each project should take during design and implementation phases.
18. Assistance will be needed for adaptation and change of agricultural and aquaculture systems, for shifting to entirely new activities in response to the opportunities created by the new biophysical conditions (e.g. mariculture), as well as becoming prepared to migrate under more favourable conditions (e.g., with an education) as conditions require. Mainstreaming climate risk management will require harmonizing the various policy, strategy and program instruments through a set of planning and operational tools that can be used for local (District, Commune, Village) CBDRM/climate smart investment planning and integration *into the SEDP process*.
19. The proposed project would take a coherent approach that takes steps such as the following:
 - assesses vulnerabilities (physical, social, livelihoods) to natural disasters and climate risks at agro-ecoregional, District, Commune and village-levels;
 - identifies requirements to climate proof current livelihoods and opportunities for new/alternative sustainable livelihoods in the context of climate change;
 - builds awareness among key stakeholders at all levels on climate risk and climate change to enhance adaptation capacity and the resilience of groups and communities;
 - promotes community-based natural resources management, integrating disaster vulnerability reduction through local land use planning and alternative investments in vulnerable and protection zones;
 - supports “climate smart” development of land use planning/zoning at the Commune-level, watershed-based zoning and land use/water resources planning at the District-level and agro-ecoregional land use planning, policy, norms, regulations and incentives at the Provincial-level;
 - development of knowledge networks among farmers and researchers to identify successful adaptive behaviours and extend them to other groups and communities;
 - development of PPP in the context of climate smart value chains;
 - and knowledge management, as detailed above; and promotion and support for stakeholder engagement and coordination forums.
20. **Component 1: Sustainable livelihoods improvement:** This component would entail sustainable agriculture; improving access to and effectiveness of services, especially agricultural extension and village-level animal health services; support to adaptation-focused research that is relevant to rural poor; promoting access and linkages to markets and value chains; education and vocational training; and securing long term access for households to land, forest and water resources; improving access to credit.
21. Activities would be based on locally tailored strategies for facilitation of adaptation by: (i) identifying the principal adaptation pathways for the ARD sector over the medium-term, on a District-by-District basis (stratified by appropriate agro-ecosystems, socio-economic, cultural and gender factors); (ii) analyzing the current and likely future barriers to adaptation, and (iii) based on these and with the participation of local stakeholders, develop appropriate targeting and support mechanisms to facilitate long-term adaptation. The coverage of the agricultural

extension system through would be broadened through systematic development of farmer networks (to share knowledge on successful adaptation); farmer-to-farmer extension approaches (to facilitate technology transfer); continued development of community-based technical services (e.g., para-veterinarians for vaccinations and control of plagues); promotion and utilization of private service delivery and; strengthening functional linkages between researchers and farmer networks to ensure the relevance of the research agendas.

22. **Component 2: Climate smart community development:** This component would entail local land use planning with CBDRM hazard mapping for vulnerability reduction, disaster risk management and orientation of public investments; targeted investments specifically for climate proofing, reducing vulnerability, increasing resilience and capacity for adaptation and/or maintenance of environmental services important to water supply and natural resources-based livelihood; securing physical access to markets (e.g., all-weather and life-line roads).
23. Implementing the public awareness and capacity building programs called for in both the Strategy for Natural Disaster Prevention, Response and Mitigation (especially as relates to CBDRM) and in the climate change response plans in order to inject DRM and climate proofing concerns into local development planning (District, Commune, Village) is key. Based on local planning, the current and emerging priorities for climate risk adaptation and reduction of vulnerability to disasters is to be identified, on a commune-by-commune basis, in order to identify and adapt best practice responses for further research, piloting or dissemination as appropriate;
24. **Component 3: Mainstreaming climate change:** This component would mainstream tools for climate proofing local investments into the SEDP planning processes; support for developing the knowledge management capacities and approaches required to learn from experience and feed this knowledge back into policy and planning processes; support at the Provincial-level and in MARD for developing policy relevant information on pro-poor climate change adaptation and adaptation financing, strengthen mechanisms for coordination of the MARD's Action Program through programmatic frameworks, better stakeholder engagement strategy, knowledge-sharing/learning.
25. During design, current agriculture, forestry, livestock and aquaculture policies and priorities would need to be reviewed to ascertain the extent to which they facilitate adaptation and long term resilience as well as the maintenance of option values at the landscape-scale versus increasing risk and future uncertainty. The purpose of such analysis would be to initiate, from the Provinces, a national-level dialogue on agricultural policies and priorities and related issues of how to build the needed flexibility into sectoral policies and NTPs in order to support local adaptation over the long term. Harmonizing the various policy, strategy and program instruments into a set of tools that can be used for local (District, Commune, Village) CBDRM/climate smart investment planning is crucial. Under this component, appropriate targeting criteria would be developed.
26. At the provincial and national level, knowledge management capacity would be built around the themes of climate smart SEDP planning processes; CBDRM, management of climate risk and farmer adaptation; and successful, pro-poor climate change adaptation (i.e., balancing climate change adaptation with development and poverty reduction imperatives).

ISSUES ON WHICH THE TEAM SEEKS GUIDANCE

27. IFAD seeks guidance on the following:

- Shaping the project development objective and allocation of IFAD resources;
- The selection of districts and communes for inclusion in the project
- The most appropriate location of the provincial PMUs in pulling together the various project activities to minimize overlap and ensure maximum national benefit;
- Possible like-minded-donors who would be interested to co-finance;
- The duration of the project.

Costs and Financing

28. The project is estimated to cost USD 49 million, including a USD 28 million IFAD loan, USD 6 million from SAP funds, a USD 8.4 million government contribution delivered through the NTP-RCC and USD 4.2 million in beneficiary co-financing. Project costs by component are estimated as follows:

Component	Component Funding (USD million)					Total
	IFAD loan	IFAD grant (SAP)	GoV 30%	Private Sector 20%	Beneficiary Co-financing 15%	
Sustainable livelihoods improvement	12.0	0.0	3.6	2.4	1.8	19.8
Climate smart community development	12.0	6.0	3.6	0.0	1.8	23.4
Mainstreaming climate change	4.0	0.0	1.2	0.0	0.6	5.8
Total	28	6	8.4	2.4	4.2	49.0

27. With regards to cofinancing and partnerships, present some of the principal opportunities appear to lie with:
28. JICA – which is carrying out a master planning exercise in the Mekong River Delta. An IFAD pro-poor adaptation to climate change program could capitalize upon that plan and put into place planning and livelihood elements for the rural sector and rural poor for master plan implementation;
29. World Bank is developing a \$150 million “Mekong River Delta Water Management for Rural Development” (2012-17) under which IFAD might find opportunities to partner, particularly around support to the most vulnerable populations. Also, the World Bank is implementing a grant from the UK/DFID to provide technical assistance for enhancing capacity in MONRE, MOIT, MARD, MPI and MOF to formulate and implement climate change policies. This ends in 2014. Any support for MARD and policy research should be done in close collaboration with the Bank to avoid potential overlap.

Organization and Management

30. The institutional and organizational arrangements for implementation of the project would be the People’s Committee’s at all levels as they are a focus for awareness, capacity building, local policy discussion, recipients of outputs from knowledge management activities, and for raising “lessons from the field” to central level for policy dialogue. For implementation the key partners would be provincial DPI – the Departments of Planning and Investment (from Provincial to District) are charged with implementing the SEDP process; and (iii) provincial DARD – Department of Agriculture and Rural Development for analysis, research and technology transfer

for climate change adaptation in production systems and for implementation of CBDRM; and (iii) DONRE – Department of Natural Resources and Environment for planning and implementing the climate change response. At the District level, the District Peoples' Committee (DPC) would implement project activities with particular involvement of the agricultural extension worker, accountant and infrastructure coordinator. At the commune level, the Commune Peoples' Committee (CPC) would be focal to all project activities, with particular involvement of the agricultural extension worker, accountant and infrastructure coordinator.

31. For component 3, IFAD's principal institutional partners for implementation will be:
 - (i) MARD – for issues of policy, coordination and prioritization of investment project orientation. It is recommended that IFAD support MARD's coordination and policy dialogue functions through ICD and its ISG program.
 - (ii) MPI – for issues of integration of climate change considerations into the SEDP, IFAD should offer support to MPI for them to achieve this commitment, which is a part of the NTR-RCC.
 - (iii) MONRE – for purposes of coordination of IFAD's overall support and contribution to climate change response in the ARD sector. This can be done most effectively through the SP-RCC.
 - (iv) MOLISA – for coordination of questions of integration of climate change concerns into the local SEDP planning process for making the national poverty programs "climate smart" in their investments and implementation.

Project Concept Note 4: Scaling up Improving Market Participation for the Poor (IMPP) in the North Central Region

Background

1. There are key strategic issues which need to be addressed in order to consolidate the successes to date of the IMPPP and scale up IFAD supported interventions in the North Central Region.
2. First, **targeting** of disadvantaged groups (women, landless and ethnic minorities) needs to be intensified with emphasis on interventions that can be implemented within their financial and technical capabilities. There is no intention to exclude the better off members of communities, but inclusive measures to engage poor and marginalised households need to be stepped up. Related to this, the M&E system needs to shed further light on who benefits and how, as part of the Project completion impact assessment.
3. Second, a **line of credit** needs to be better directed towards SMEs and household businesses that support the value chains in which the IFAD target group are involved, and those that provide jobs for the IFAD target group. Information on the socio-economic profile of indirect benefits to the IFAD target group from the use of loan funds needs to be improved.
4. Third, there is a need for intensive **knowledge management** activities by capacity building, and documenting and disseminating its many success stories such as vocational training/employment generation and participatory market oriented social economic development planning (MoSEDP) so that these can be replicated within and beyond the Province.

Geographic Area and Target Group

5. The project would be targeted to the provinces of North Central Region. The project would need to take into account the specific situation and needs of rural poor women, men and youth. For ethnic minority youth, in particular, this means providing them with opportunities through which to learn necessary life-skills and vocational skills to ensure their future well-being and to develop their interests. For women, it means enhancing their learning opportunities to regain and assume new leadership and entrepreneurial roles in their communities. For ethnic minority women, it means increasing the opportunities for productive and stable on-farm and off-farm employment. While it will be beyond the scope of this project to cover all these aspects, a gender sensitive approach which clearly differentiates and responds to these needs is warranted.
6. Interventions to maintain the momentum of poverty reduction are to centre around (i) transparent targeting criteria giving priority to ethnic minorities and women; (ii) institutional capacity development, linked to more gender sensitive, climate smart, and market oriented socio-economic development planning at commune level; (iii) increased investment in rural infrastructure and health services, including vocational training, particularly for women; (iv) empowered rural men and women, particularly ethnic minorities, managing community allocated funds; (v) conditional support, including cash transfers and scholarship programmes, especially for ethnic girls; and (vi) increased awareness building for women on improving nutrition for children, particularly in ethnic minority groups.

Justification and Rationale

7. Given the success in achieving the goals of the current phase of IMPP, it is intended that the next phase would allow activities to be mainstreamed and scaled up province wide. A strong comparative advantage is its working relationships with the authorities of the Provinces in which it operates. Through a track record of support through project implementation, these Provinces have the potential to upscale activities from project induced innovations to Province-wide policies and institutions to sustain activities.
8. While building on implementation in the current phase, promotion of the private sector would be enhanced. The thrusts of the proposed ensuing phase include: (i) strengthened pro-poor targeting; (ii) more participatory and pluralistic research and advisory services; (iii) improved agricultural market planning at provincial and local levels; (iv) increased private sector participation in market development and service delivery; and (v) enhanced job skills training through private sector models.
9. To support the transition in the rural sector in programme provinces, there would be a strong emphasis on building enabling environments for engagement of the private sector providing rural jobs and generating rural income, developing and promoting pro-poor value chains linking rural poor households to the growing demand in urban centres, and building farmer-buyer arrangements lowering the risks of farmers to diversify, add value. These initiatives would be underpinned by participatory market oriented SEDP at provincial, district and commune levels. At the same time, the country programme would continue to recognize the importance of supply to local markets by poor farmers. Generation of income and jobs from rural non-farm activities will be enhanced, targeted towards poor rural households and women, through access to community managed climate proofed market access infrastructure, demand-driven extension enhancing the competitiveness of agricultural products, promotion of non-farm rural employment, and savings and credit activities. IFAD supported investments would focus on enhancing the resilience of poor farmers in light of changing climatic conditions and more frequent natural disasters, targeting "no regret" approaches that enhance livelihoods, sustainable agriculture and poverty reduction. IFAD would address the gap when it comes to implementation of adaptation and mitigation in agriculture at the household level, supporting ongoing farmers' adaptation through appropriate extension and research, developing provincial action plans for addressing climate change risks, ensuring the incorporation of climate change factors into the SEDP, and feeding back these plans and lessons to the national level for incorporation into investment plans, national targeted programmes and other policies
10. There needs to be a series of profound institutional reforms while developing new strategies, approaches, farming packages to achieve a broad range of newly articulated sector goals within a rapidly shifting context for agriculture and rural development and the increasing impact of climate change. All Strategic objectives of the COSOP are relevant in the guiding of this project.

Key Project Objectives

11. The proposed **development objective** of the Project would be to improve the incomes and reduce vulnerability of rural poor households. The **purpose** of the programme is to demonstrate an environmentally sustainable, socially equitable and profitable rural development model around promoting pro-poor value chains, market linkages and enhancing competitiveness and non-farm enterprises targeting rural poor households.

Components and Activities

12. Essentially, the project would be a scaling up of the on-going IMPP and therefore have the similar components:
13. Component 1 Commune Market Opportunities Support would be the core of the Project, accounting for almost half the total budget, and making a major contribution to the decentralisation process in the 30 participating communes. Developing Capacity and Market Awareness would help develop awareness of market and value chain development opportunities, the benefits of joining CIGs and CGs and how to propose market opportunity ideas (MOIs) in the commune planning process. The Sub-Component has also trained staff on the decentralised management of infrastructure investments. Commune Market Opportunities Planning would facilitate major advances in market oriented planning at commune level through development and institutionalisation of the market-oriented socio-economic development planning (MoSEDP) process.
14. **Component 2 Job Enterprise Facilitation and Market Development** would facilitate improved access by the rural poor to employment opportunities, and increased productivity and value added to their production through stronger value chain linkages. Job Linkage and Skill Improvement would provide vocational training for poor and landless households in partnership with vocational training centres and business enterprises. Market Development and Business Support would involve market analysis, business and market linkage support and improvement of the market enabling environment. With support from GIZ, a value chain task force has been established to undertake analysis and development of value chains. Linked to this, the Project has also supported the formation of CIGs, CGs and Cooperatives and helped them to develop their capacity for closer integration into value chains. This has resulted in the formation of alliances between a number of groups and agro-industrial enterprises, including contract farming arrangements which appear to be reducing farmer's costs and improving revenues.
15. **Component 3 Project Coordination** includes three management levels (Province, District and Commune); there is a closer description in the organisation and management section.

Costs and Financing

16. The project is estimated to cost USD 41.6 million, including a USD 21 million IFAD loan, a USD 8.1 million government contribution delivered through the NTP-NRD, USD 5.4 million private sector contributions, and USD 4.1 million in beneficiary co-financing. Project costs by component are estimated as follows:

Component	Component Funding (USD million)					Total
	IFAD loan	IFAD grant	GoV	Private Sector	Beneficiary Co-financing	
Commune Market Opportunities Support	11.0			3.0	2.3	16.3
Job Enterprise Facilitation and Market Development	6.0	1.0	3.6	2.4	1.8	14.8
Project management Ha Tinh	4.0	1.0	4.5			9.5
Total	21.0	2.0	8.1	5.4	4.1	40.6

Organization and Management

17. At the Provincial level, a Provincial Project Steering Committee has been established for the NTP-NRD. The proposed programme would establish a separate PSC to feed into the PSC for NTP-NRD. A PMU would be established for day-to-day management and operations, and implementation would be decentralized to the relevant levels. The main responsibility for component implementation and coordination of technical inputs will be with DARD. A critical element of the delivery of the sub-sector strategies is the significant upgrading of an Agricultural Market Development Unit (AMDU) within DARD to ensure its adequate capacity and focus to deliver a market-oriented approach. To complement the provincial level AMDU, Agricultural Market Development officers would be recruited in each district and in each commune.
18. At the District level, the DPC would implement project activities with particular involvement of the Agricultural Market Development officers, accountant and infrastructure coordinator. In many respects, the district level is most critical, because this is the point at which province policies are converted into services on the ground. With the increased decentralization of planning and budgetary responsibilities envisaged, the district administration will have the major role in supporting the communes.
19. At the commune level, the CPC would be the focal point to all project activities, with particular involvement of the Agricultural Market Development officers, accountant and infrastructure coordinator.
20. While their engagement is difficult to forecast, it is foreseen that private sector stakeholders would be key in driving the value chain initiatives.

Scaling-up strategy (IFAD country programme)

Ideas/ Innovations	Vision - the desired scale	Drivers - who owns and will drive the process	Spaces - how to create the space for scaling up (financial, institutional, policy, political, etc.)	Pathway - the intermediate results	IFAD role
Market-oriented institutional capacity building					
The market-oriented participatory bottom-up SEDP mechanism	<ul style="list-style-type: none"> 100% of communes in each IFAD supported provinces (full coverage) sustainably carrying out a MoP-SEDP process 	<ul style="list-style-type: none"> MPI PPC DPI 	<ul style="list-style-type: none"> Legal reform by MPI Political support from PPC Institutional planning reform at DPI (provincial level) District and commune level capacity to carry out participatory market oriented planning procedures Financial support from the Provincial Government 	<ul style="list-style-type: none"> 100% of IFAD supported communes (coverage in IFAD project communes) 	<ul style="list-style-type: none"> Carry out impact evaluation, cost benefit analysis and client surveys at the commune level Work with MPI to reflect IFAD experience in planning reform and Local Planning Law Work with PPC to roll out of MoP-SEDP process from IFAD project communes to all communes in the province Develop awareness of DPI Planning officers with regards to MOP-SEDP, as well as other line agencies Build capacity of district and commune level planning officers to carry-out MoP-SEDP Ensure the cost of MOP-SEDP is included in the provincial budget
Introduction of value chain to local agencies	<ul style="list-style-type: none"> 15 000 farmers in each IFAD supported province benefiting from participation in pro-poor value chain activities 	<ul style="list-style-type: none"> MARD PPC DARD 	<ul style="list-style-type: none"> MARD awareness of the value chains Promotion by PPC of selected value chains Coordination of different provincial line agencies for value chain promotion Institutional capacity at DARD and provincial extension centre (PEC) Investment by businesses in selected value chains 	<ul style="list-style-type: none"> 3-5 pro-poor value chains in each province effectively generating additional revenue for poor smallholder farmers in each province 	<ul style="list-style-type: none"> Monitor the number of persons benefiting, value added generated of select value chains Share successful experience with MARD of pro-poor value chain development Work with PPC to ensure development of pro-poor value chains Technical assistance to DARD and PEC for capacity development for value chain promotion Develop awareness of businesses to opportunities in value chains in IFAD supported provinces
Participatory land allocation and planning	<ul style="list-style-type: none"> 100% of communes in all IFAD supported provinces (full coverage) carrying out participatory land 	<ul style="list-style-type: none"> MARD MONRE PPC DARD DONRE 	<ul style="list-style-type: none"> Policy reform by MARD and MONRE Incorporation of NTP-NRD of participatory land allocation and 	<ul style="list-style-type: none"> 100% of IFAD supported communes (coverage in IFAD project communes), carrying out participatory land allocation and planning, where needed 	<ul style="list-style-type: none"> Carry out impact evaluation, cost benefit analysis and client surveys at the commune level Work with MARD and MONRE to reflect IFAD experience in land

Ideas/ Innovations	Vision - the desired scale	Drivers - who owns and will drive the process	Spaces - how to create the space for scaling up (financial, institutional, policy, political, etc.)	Pathway - the intermediate results	IFAD role
	allocation and planning, where needed		planning in master planning process at commune level <ul style="list-style-type: none"> • Political support from PPC • DARD, DONRE, district and commune level capacity to carry out participatory land allocation and planning procedures • Financial support from the Provincial Government 		allocation and planning in Land Law <ul style="list-style-type: none"> • Agree with the NTP-NRD Secretariat with regards to master planning procedures at the commune level • Work with PPC to ensure rolling out of participatory land allocation and planning process from IFAD project communes to other communes in the province • Develop awareness of DARD and DONRE to participatory land allocation and planning • Build capacity of district and commune level planning officers to carry-out participatory land allocation and planning • Ensure the cost of participatory land allocation and planning is included in the provincial budget
Empowerment of Poor Farmers					
Village Development Boards(VDBs), Self-help groups (SHGs), community supervision boards (CSBs) of infrastructure schemes	<ul style="list-style-type: none"> • 30 000 farmers participating in VDBs, SHGs, CSBs in each IFAD province 	<ul style="list-style-type: none"> • PPC • DPC • CPC 	<ul style="list-style-type: none"> • Political support from Provincial Peoples' Council and PPC • District and commune level capacity to develop VDBs, SHGs, CSBs • Financial support from the Provincial Government • Farmers to understand the objectives and merits of being in VDBs, SHGs, CSBs 	<ul style="list-style-type: none"> • Active VDBs, SHGs, CSBs developed in all villages of IFAD supported communes 	<ul style="list-style-type: none"> • Work with the Provincial Peoples' Council and PPC to develop guidelines for VDBs, SHGs, CSBs • Technical assistance for capacity building of district and commune level capacity to develop VDBs, SHGs, CSBs • Project support for farmers to understand the objectives and merits of being in VDBs, SHGs, CSBs • Ensure allocation is included in the provincial budget
Common Interest Groups (CIGs)/cooperative development as foundation for the poor to cooperate with better-off farmers and	<ul style="list-style-type: none"> • 15 000 farmers participating in CIGs/cooperatives in each IFAD province 	<ul style="list-style-type: none"> • VWU and VFU • PPC • District extension centre and district mass organisation representatives • Commune extension worker 	<ul style="list-style-type: none"> • Policy support from VFU and VWU • Political support from PPC • District and commune level extension and mass organisations' capacity to develop 	<ul style="list-style-type: none"> • Active CIGs/cooperatives developed in all villages of IFAD supported provinces 	<ul style="list-style-type: none"> • Policy development on CIGs with VFU and VWU • Work with the PPC to issue guidelines for CIGs empowerment • Technical assistance for capacity building of district and commune level capacity to develop CIGs/cooperatives

Ideas/ Innovations	Vision - the desired scale	Drivers - who owns and will drive the process	Spaces - how to create the space for scaling up (financial, institutional, policy, political, etc.)	Pathway - the intermediate results	IFAD role
private business		and mass organisation representatives	CIGs/cooperatives <ul style="list-style-type: none"> • Farmers to understand the objectives and merits of being in CIGs/cooperatives • Financial support from the Provincial Government 		<ul style="list-style-type: none"> • Project support for farmers to understand the objectives and merits of being in CIGs/cooperatives • Ensure allocation is included in the provincial budget
Women's saving and credit groups (SCGs), Women's Livelihood and Right Clubs (LARCs)	<ul style="list-style-type: none"> • 15 000 farmers participating in SCGs and LARCs in each IFAD province 	<ul style="list-style-type: none"> • VWU and VFU • PPC • District extension centre and district mass organisation representatives • Commune extension worker and mass organisation representatives 	<ul style="list-style-type: none"> • Policy support from VFU and VWU • Political support from PPC • District and commune level extension and mass organisations' capacity to develop groups • Farmers to understand the objectives and merits of being in groups • Financial support from the Provincial Government 	<ul style="list-style-type: none"> • Active groups developed in all villages of IFAD supported provinces 	<ul style="list-style-type: none"> • Work with the VWU to develop guidelines for SCGs and LARCs • Policy development on SCGs and LARCs with VWU • Technical assistance for capacity building of district and commune level capacity to develop SCGs and LARCs • Project support for women to understand the objectives and merits of being in SCGs and LARCs • Ensure allocation is included in the provincial budget
Farmer-to-farmer extension approach	<ul style="list-style-type: none"> • 30 000 farmers participating in farmer to farmer extension in each IFAD province 	<ul style="list-style-type: none"> • PPC • DARD • PEC • District Extension Station • Commune extension worker 	<ul style="list-style-type: none"> • Political support from PPC • District and commune level capacity to develop farmer to farmer extension • Financial support from the Provincial Government • Farmers to understand the objectives and merits of being in groups 	<ul style="list-style-type: none"> • Active key farmers developed in all villages of IFAD supported provinces 	<ul style="list-style-type: none"> • Carry out impact evaluation, cost benefit analysis and client surveys at the commune level • Work with PPC to ensure development of pro-poor value chains • Technical assistance to DARD and PEC for capacity development for value chain promotion • Develop awareness of business opportunities in value chains in IFAD supported provinces • Project support for farmers to understand the objectives and merits of farmer extension • Ensure allocation is included in the provincial budget

Ideas/ Innovations	Vision - the desired scale	Drivers - who owns and will drive the process	Spaces - how to create the space for scaling up (financial, institutional, policy, political, etc.)	Pathway - the intermediate results	IFAD role
Private Sector Development					
Improvement of private sector enabling environment (policies, guidelines, PCI)	<ul style="list-style-type: none"> 10 000 additional jobs in each province and 50 additional agribusiness investments in IFAD supported provinces 	<ul style="list-style-type: none"> VCCI MPI PPC DPI 	<ul style="list-style-type: none"> Incentive policies at the MPI, VCCI carried out at the provincial level PPC support to ensure business conducive measures and promote investment in the province DPI aware of how to improve the business environment 	<ul style="list-style-type: none"> 20% increase in local processing enterprises and investment in agribusiness in IFAD supported provinces 	<ul style="list-style-type: none"> Promote interaction between central and province levels and with regards to business promotion and a enabling business environment Work with PPC to develop awareness of the importance of business promotion Build capacity of DPI for improving the PCI and carrying out measures for promoting investment and local businesses Improved coordination among provincial line agencies through the Project Steering Committees
PPP models (contract and linkages with farmers)	<ul style="list-style-type: none"> 6% private sector growth in agriculture related businesses and investment in rural areas in IFAD support provinces 	<ul style="list-style-type: none"> MARD PPC DPI DARD Businesses 	<ul style="list-style-type: none"> MARD recognition of PPP models Support from the PPC and DPI DARD capacity to replicate and promote PPP models Incentives for businesses to grow in remote provinces 	<ul style="list-style-type: none"> 20% increase in PPP in IFAD supported provinces and increase in number of rural jobs 	<ul style="list-style-type: none"> Carry out impact evaluation, cost benefit analysis and client surveys of PPP models Support for policies and guidelines on PPP to be issued by PPC Workshops on PPP and business fair in regions led by DPI Technical assistance to DPI for capacity development of PPP Technical assistance to DARD and PEC for capacity development of PPP promotion Develop awareness of businesses of PPP in IFAD supported provinces Ensure allocation is included in the provincial budget
PPP platforms (private sector, public sector)	<ul style="list-style-type: none"> PPP platform operating in every IFAD province involving key stakeholders from multi-sectors 	<ul style="list-style-type: none"> VCCI PPC DPI Businesses 	<ul style="list-style-type: none"> Support from the PPC DPI ownership to promote PPP Platform 	<ul style="list-style-type: none"> Effective dialogue platform for competitiveness improvement and inclusive business ventures 	<ul style="list-style-type: none"> Support for policies and guidelines on PPP platforms to be developed by VCCI Work with PPC to ensure sustainability and ownership of PPP Platform Technical assistance to DPI for capacity development of PPP Awareness raising and capacity development (Year 1+2) of DPI

Ideas/ Innovations	Vision - the desired scale	Drivers - who owns and will drive the process	Spaces - how to create the space for scaling up (financial, institutional, policy, political, etc.)	Pathway - the intermediate results	IFAD role
Tools including finance tools (PPP Grant Fund, Credit lines) and business development services (BDS) are important	<ul style="list-style-type: none"> Financial tools to support the private sector established in all IFAD supported provinces 	<ul style="list-style-type: none"> PPC DPI Businesses 	<ul style="list-style-type: none"> Support from the PPC DPI ownership to promote PPP financial tools 	<ul style="list-style-type: none"> APIF is validated and recognized tool for attraction of private sector investments while generating job and income for poor farmers in Bac Kan province 	<ul style="list-style-type: none"> Support for policies and guidelines on PPP to be issued Awareness raising and capacity development (Year 1+2) of DPI Development of proper strategies and procedures Ensure allocation is included in the provincial budget

Key file 1: Rural poverty and agricultural/rural sector issues

Priority areas	Affected group	Major issues	Actions needed
Preparation and implementation of participatory market oriented, climate smart planning in poor provinces	<p>Smallholder farmers, particularly poor and ethnic minority households and women</p> <p>Small and medium scale agribusiness related enterprises (SMEs) and lead firms interesting in sourcing materials from and investing in poor provinces</p>	<ul style="list-style-type: none"> Rural development in poor provinces may not be inclusive of the priorities of poor and ethnic minority households and women; Government staff and People's Council representatives at provincial, district and commune level may have little experience in market-led development and climate change adaptation; SEDPs are not climate smart, market oriented and inclusive; Women and ethnic minorities' households may be distant from and poorly informed of market opportunities and may not have their priorities heard; All actors may lack skills to make financially and economically rational investment choices. 	<ul style="list-style-type: none"> Provide capacity development in climate smart, participatory market-led planning and mentor development of the MOP-SEDP; Develop climate proofing tools for (IFAD provinces) District/Commune SEDP planning to incorporated in the provincial SEDP; Engage in policy dialogue and experiential learning with Provincial People's Council and People's Committee representatives; Institutionalise commune and community consultation and experiential training in participatory market oriented planning development;
IFAD targeted provinces with business environments attracting private sector investment in and for rural areas	<p>Smallholder farmers, particularly poor and ethnic minority households and women</p> <p>Small and medium scale agribusiness related enterprises (SMEs) and lead firms interesting in sourcing materials from and investing in poor provinces</p>	<ul style="list-style-type: none"> Investment from the private sector in poor provinces to create new income and market opportunities is lacking; Information in poor provinces including commodities, infrastructure, potential supply is not clear; System of enforcing contracts, ensuring quality control and standards, and forming farmers' groups not in place; Provincial business registration and operating procedures are complex and time consuming; Provincial staff view private business negatively or seek rents for its establishment; Provincially or State owned enterprises (SOEs) hold oligarchic market positions in key commodities; 	<ul style="list-style-type: none"> Ensure provincial capacity to work with private sector and realise investment opportunities that would be beneficial for rural development; Review and revise business registration and operating regulations in line with national best practice and PCI evaluation criteria; Provide provincial staff with experiential training in business-friendly provinces; Equitise SOEs in accordance with national laws and directives;
Agricultural science and technology services with outreach to ethnic minorities and women, client and market orientation, and awareness on climate change risks	Smallholder farmers, particularly poor and ethnic minority households and women and SME owners.	<ul style="list-style-type: none"> Smallholder farmers, particularly poor and ethnic minority households and women in poorer and remoter areas are in need of new skills and technologies to help them to enhance productivity, engage with businesses in a profitable manner and adapt to climate change risks; Extension workers and supporting scientists lack farm financial and business management skills, 	<ul style="list-style-type: none"> Establish and develop participatory agricultural science and technology advisory boards at provincial level; Train scientists and extension workers in farm and business management and gender sensitization and provide tools for application at farm and SME level, and participatory research; Develop participatory technology transfer strategy and action plan – with specific, culturally appropriate approaches for ethnic minorities as relevant – established at provincial level; Build innovative provincial extension programme that help

Priority areas	Affected group	Major issues	Actions needed
		<p>are not guided by clients' needs, and lack capacity to address climate change risks;</p> <ul style="list-style-type: none"> • Barriers to farmer-led adaptation must be identified and removed; • Government cost norms limit opportunity for establishment of more diversified, demand driven advisory services. 	<p>smallholder producers – both women and men – improve their resilience to climate change;</p> <ul style="list-style-type: none"> • Regularly survey poor women and male smallholder farmers and SME owners on technology needs and uptake; • Conduct participatory assessments with target group to assess quality, performance and impacts of production support activities;
Community resources and capacity for participatory and inclusive development	Smallholder farmers, particularly poor and ethnic minority households and women	<ul style="list-style-type: none"> • There is a growing poverty gap and marginalisation of voice between the rural population which is Kinh and ethnic minority households and women. • Community capacity for inclusive, pro-poor and market oriented planning and association is limited. 	<ul style="list-style-type: none"> • Train men and women smallholders and ethnic minorities in numeracy, farm financial management, broaden market knowledge, community development; • Establish and empower Commune Infrastructure Supervision Boards; • Based on agreed disbursement and M&E procedures, provide block grants provided for community managed conditional cash transfers for market-based infrastructure development and economic and social services;
Sustainable income increases for poor rural households, particularly women, from commodity and labour markets.	Poor rural female and male smallholder and landless households.	<ul style="list-style-type: none"> • Female and male farmers lack skills and resources to effectively associate for increased agriculture production and productivity and climate change adaptation; • Poor rural men and women need off-farm employment to lift themselves out of poverty, but lack requisite vocational skills; • Ethnic women smallholder farmers may be illiterate, innumerate or not speak Vietnamese; 	<ul style="list-style-type: none"> • Support the development of farmer common interest groups (CIGs) that initiate savings driven credit programs, link to financial service providers and invest to improve the production and productivity of marketable commodities; • Implement community managed conditional cash transfer schemes that support education inclusion and continuity and vocational training targeted at female members of poor households and ethnic minorities;
Progress in gender equality and women's empowerment	Poor rural women, particularly in ethnic minority groups	<ul style="list-style-type: none"> • Each sector needs to strengthen capacity building on gender for their staff and in order to fully implement the National Strategy on Gender Equality. • Political leadership is not aware of their responsibility in gender mainstreaming and do not take the lead so their staff mainstream gender in projects and programs. • Government does not allocate funds to initiatives that support gender equality and monitor and evaluate projects and programs; 	<ul style="list-style-type: none"> • Put in place accountability mechanisms to systematically monitor progress towards gender equality targets set in national and international development strategies and commitments. • Build the capacity of officers to work on gender equality at all levels including gender awareness, sex disaggregation, gender analysis and auditing, gender responsive budgeting, reporting system • Increase the role of gender experts in projects and programs • Strengthen an M&E indicators for gender equality at all levels
Adaptation of smallholder agriculture to climate change risks	Poor female and male smallholder farmers	<ul style="list-style-type: none"> • Climate change risks are causing rural poor households to remain poor, and near poor households to be vulnerable or poor again; • Climate change policy and associated support services must be adapted to protect the poor, the vulnerable, and those least able to respond to changing climatic stresses; 	<ul style="list-style-type: none"> • Develop districts and communes (IFAD Districts) community-based disaster risk management (CBDRM) and climate change schemes; • Capacity building program (IFAD provinces) for local government staff & communities on implementation of CBDRM/RCC-ARD; • Conditional cash transfers finance smallholder farmers' transition costs associated with adopting diversified agro-silvo-pastoral systems;

Key file 2: Organizations matrix (strengths, weaknesses, opportunities and threats [SWOT] analysis)

Organisation	Strengths	Weaknesses	Opportunities/Threats
Enabling Institutions			
<p>Ministry of Planning and Investment (MPI)</p> <p>Department of Planning and Investment (DPI) in provinces</p>	<p>The competent authority for ODA and local resources integration in socio-economic development planning. At the same time this is the responsible agency for investment promotion and private sector development.</p> <p>Strong and well-decentralized organizational structure from central to province, district levels in terms of planning and integration of different kinds of resources.</p> <p>Qualified staff in reasonable strengths and high commitments to international cooperation.</p> <p>Close working partnership with central and local agencies.</p>	<ul style="list-style-type: none"> • Weak mechanism to ensure harmonization of ODA and government budget. • Current planning mechanism does not allow provinces to apply the bottom-up planning approach even the capacities for this have been generated through donor-supported initiatives. • Insufficient capacity in monitoring of projects implementation after their approval. 	<ul style="list-style-type: none"> • The Ministry has delayed for some time the issue of new Decree on the local planning process towards participation and bottom-up approach. • IFAD has opportunities to use experience of the programme in market-driven participatory SEDP planning process to advocate for changes in the new Decree on planning mechanism. • With strategic cooperation with MPIs and DPIs, IFAD projects and activities can be better integrated into other rural development projects and programs, in particular the NTP New Rural Development. • MPI is revising the Decree on Management of ODA projects to improve its effective and efficiency.
<p>Ministry of Finance (MOFI) including the State Treasury System</p>	<p>This Ministry represents Viet Nam in IFAD Governing Council and as Borrower in IFAD Loan Agreements. This Ministry also manages financial flows from IFAD to all projects.</p> <p>Decentralized organizational structure from central to province, district levels in terms of resource management.</p> <p>Qualified and experienced staffs in financial management and international cooperation.</p> <p>Consolidated procedures and cost norms available for transparent management of ODA project activities</p> <p>District Treasury Units are well established to hold accounts of Commune People's Committees, who are decentralized owners of IFAD project resources.</p>	<ul style="list-style-type: none"> • Slow revision of cost norms to keep pace with inflation and increased prices makes project staffs less motivated due to low travel allowance, IFAD activities in remote areas less attractive to consultants and service providers. • Complicate procedures of the Treasury for funds withdrawal on top of the low capacities of accountants at the commune level have delayed project activities. • Lack of flexibilities and initiatives in solving problems of delayed availability of IFAD funds, for example the Province Treasury hesitated to use funds from other sources to advance to IFAD projects. 	<ul style="list-style-type: none"> • Participation in the Country Programme Management Team (CPMT) with financial management capacities of MOFI will accelerate resource circulation and ensure update revision of cost norms to IFAD activities. • Cooperation with MOFI and the State Bank will help IFAD to review all the microfinance models under IFAD projects in the past and identify the best practices for replication or modification. • Design of large-scale loan to cover more projects will reduce work burden in financial management to both MOFI and IFAD • Innovative experiments of finance services such as the Equity Fund, Guarantee Fund under IFAD projects should be assessed and

Organisation	Strengths	Weaknesses	Opportunities/Threats
<p>Ministry of Agriculture and Rural Development (MARD-DARDs in provinces)</p>	<p>Mandated for agriculture and rural development MARD is the strategic partner of IFAD who assist IFAD in formulation, implementation and monitoring/evaluation of IFAD programme in Vietnam.</p> <p>As the ARD policy and decision maker the MARD has substantive capacities in policy and technology research as well as well-structured agriculture development services such as extension, plant protection and veterinary. Therefore MARD is the major partner of IFAD for quality direct supervision of IFAD initiatives in provinces, knowledge management and policy development at the national level by the IFAD-supported innovative experiences generated at the local levels.</p> <p>Managing nearly 200 projects funded by different donors and partners MARD has an important position for coordination and cooperation among Government and donors. The International Support Group (ISG) under MARD is the most substantive policy dialogue and partnership for agriculture and rural development in Viet Nam.</p>	<ul style="list-style-type: none"> • Unclear roles of MARD in linking farmers with markets and establishing institutions to enable effectiveness of value chains. These roles are also unclear to the Ministry of Trade and Industry. • Established mandate of the agriculture extension system is to provide top-down technology transfer for increased production, lacking their roles in providing marketing and business development services. • Limited qualifications and expertise of MARD staffs, especially at the district and commune levels, in market linkages and business/private sector partnership promotion. • Dominant mindset of staffs in giving Government subsidies to farmers. Limited understanding among agriculture extension staffs on their roles in facilitation of farmer's access to private resources and business ideas. • Quality of the agriculture development plans of upland provinces rely more on subsidized supports from the Government rather than on commercialized products through private investment development. • Role of facilitating the growth of private sector not clear and lack of decentralised and pluralistic extension delivery. • Weak capacity for transfer of technologies suitable to the agro-ecological environments of upland areas. 	<p>considered for replication by the cooperation with MOFI.</p> <ul style="list-style-type: none"> • Opportunities have been identified by the COSOP formulation workshop with agencies and institutes under MARD. • IFAD would cooperate with MARD and DARDs in provinces to further strengthen the commune-based extension network in providing marketing and business development services. • The Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD), the Institutes under Agriculture Science and Technology Academy, and the Department of Cooperative and Rural Development (DCRD) etc. have committed to be long-term partners with IFAD to provide technical assistance and human resources for policy and capacity building activities under IFAD projects. At the same time the central agencies/institutes will cooperate with IFAD project stakeholders to upscale innovative practices and institutionalize the market-based ARD approach in the national policies and programmes.
<p>Provincial People's Committee (PPC)</p>	<p>Mandated to coordinate all rural development activities from national/provincial and donor sources, PPC is the major counterpart to IFAD programme/projects and the executive body to ensure IFAD activities are in line with the Government policies and the local SEDP.</p> <p>The local Government leads the IFAD Project Steering Committee accountable to IFAD and responsible for overall planning, development, coordination and implementation of IFAD projects.</p>	<ul style="list-style-type: none"> • In disadvantaged provinces, PPCs are highly dependent on central government for development resources and this limits local independence of actions and initiatives. • Weak capacity for coordination and integration of donor assisted projects with the Government programmes and projects. • Lack of qualified and experienced staffs to assist the PPC leaders who are overburden with development leadership responsibilities. 	<ul style="list-style-type: none"> • Great opportunities for IFAD to assist PPCs in realization of new rural development and poverty reduction policies based on markets linkages and private sector partnership when Viet Nam has joined WTO and the current strong decentralization of power in decision making to the PPCs. • PPC's commitments to further decentralization and capacity building at lower levels like districts and communes. • Opportunity for IFAD to assist the PPCs in

Organisation	Strengths	Weaknesses	Opportunities/Threats
	<p>PPCs in provinces have made considerable efforts in issuing PPC decisions and guidelines to enable IFAD-supported innovative models, for example the regulations related to participation and decentralization initiatives over the past COSOP.</p> <p>PPCs have showed strong commitment to enable the IFAD-supported initiatives in the new COSOP promoting market-based poverty reduction approach.</p>		<p>improving coordination and integration between various sources of development funding.</p> <ul style="list-style-type: none"> • Higher political than economic agendas in usage of funds. • Less flexible local administration due to high reliance on central procedures.
District People's Committees	<p>Key role in planning, financing and implementing investments at district level.</p> <p>Close working partnership with provincial agencies and commune authorities.</p>	<ul style="list-style-type: none"> • Highly dominated by the supply-driven planning • Part-time staff availability for project work. • Overall staff capacity and qualifications still limited, especially for participatory rural development. • Limited independence of action and local initiative • Frequent staff transfers. • Insufficient logistics. 	<ul style="list-style-type: none"> • Provision of full time project staff is possible. • Focal point of provincial and district partners in project implementation. • Opportunity for further market demand-driven capacity development for effective technical support to commune level.
Commune People's Committees	<p>Mandated government institution for planning and coordination at commune level.</p> <p>Grassroots democracy decree established in communes</p> <p>Some communes under previous projects received training courses on participatory planning and market approach</p> <p>Increasing roles of mass organizations such as the Women's Union in delivery of microfinance.</p> <p>Improved technical capacity to oversee infrastructure works.</p>	<ul style="list-style-type: none"> • Limited ability to handle finances. • Participatory planning capacity .still weak • Little self-confidence and pro-active approach due to decades of top-down development delivery. 	<ul style="list-style-type: none"> • Opportunity to develop CPC financial and administrative capacities to become an effective implementer of Grass Roots Democracy decree and effectively translate beneficiaries' preferences into action. • Continuing need for capacity building of CPC level for better implementation.
Village	<p>Main focus of planning and implementation involving the target group.</p> <p>Important for local planning needs identification and implementation of village public works.</p> <p>Closest to the target group and is the entry point for providing information.</p>	<ul style="list-style-type: none"> • Village is not a formal level of administration in Viet Nam's administrative system. • Village heads and mass organization staff have limited literacy levels and understanding. • Many villages are very small and are widely dispersed • A number of target villages inhabited by different ethnic groups resulting in language difficulties and 	<ul style="list-style-type: none"> • Opportunity to create formal grassroots institutions capable of articulating local needs and participating in village level development. • Only place where poor can participate directly in the decision-making affecting their lives. • Opportunity to develop and improve village level skills and capacities.

Organisation	Strengths	Weaknesses	Opportunities/Threats
		lack of cultural cohesion.	<ul style="list-style-type: none"> Possible lack of political will at provincial and district level to give voice to the village level institutions.
Service Providers			
Agriculture Extension System	<p>The system has been well established with solid legal framework and implementation structure from the central down to village levels</p> <p>Mandates and functions of the agriculture extension units have been update towards market-oriented agriculture development Well-educated extension staffs at all levels</p> <p>The extension system has strong partnership with the mass organizations, professional associations</p> <p>Funds for extension activities are also mobilized from province's budgets</p>	<ul style="list-style-type: none"> The scale of the investment in the extension system is rather small compared to the number and demands of local farmers Cost norms stipulated by the Government do not afford the extension staffs to apply the FFS approach Capacities of extension staffs in development of market linkages or value chains of agriculture commodities, facilitation of partnership with private sectors and the cooperation between the poor and better-off farmers are very limited There is yet missing implementation guidelines on what and how the extension workers could work for market linkages Lack of incentives and promotion to extension workers Serious lack of a monitoring and evaluation of agriculture extension activities The current financial management mechanism of the State Treasury only finances extension activities for common crops and does not allow the private sector to be service providers. 	<ul style="list-style-type: none"> To implement the Government Decree No. 56, IFAD will cooperate with DARDs in provinces to develop extension workers to become facilitators of the private sector and more demand driven service delivery. For policy and institutional development in terms of market-oriented extension and ppp IFAD needs to establish a systematic partnership with the National Agriculture and Fisheries Extension Centre (NAFEC)
VAAS - Agricultural research and applied science institutes and IPSARD	<p>Well-developed system of a large number of research institutes on particular sub-sectors and some major crops such as the Rice Research Institute, fruit and vegetable research institute</p> <p>Many institutes based in particular regions focusing on geographical and regional differences</p> <p>Clear mandates and strategies for particular institutes</p> <p>Qualified staffs with higher educational background</p>	<ul style="list-style-type: none"> Lack of strong linkages to the realities on the ground to assist decision-makers and policy-makers to make rational decisions about future policies and actions Weak cooperation with private sectors and lack of private research institutions in agriculture Poor monitoring and evaluation of efficiency and impacts of research projects to the changes in agriculture performance Absence of agriculture applied research institutes in remote and difficult areas Lack of pro-poor agriculture value chain research at both regional and province levels 	<ul style="list-style-type: none"> Opportunities for IFAD to develop partnership with the research institutes in improvement of linkages between the researchers and the market demands Need for establishment of a policy network linking monitoring points in provinces with the central level research institutes Threats remain with the Government commitment to reform the mechanism of management of research projects and programmes

Organisation	Strengths	Weaknesses	Opportunities/Threats
Rural Cooperatives and the Viet Nam Cooperative Alliance	<p>Cooperatives work in the interest of cooperative members and contribute to the local community development.</p> <p>Cooperatives work at the grassroots level and provide very wide scale and very responsive services to local farmers</p> <p>VCA could be a very good service provider in facilitation of cooperative and collaborative group development, provision of trainings on legal framework and capacity building for cooperative business management.</p>	<ul style="list-style-type: none"> • Their main constrains are lack of capital, limited knowledge and skills, use of backward technology and limited access to markets 	<ul style="list-style-type: none"> •
Rural Collaborative Groups	<p>RCGs are informal cooperatives and therefore have many strengths in easy establishment and flexible mandates and functions</p> <p>RCGs could gather farmers with a same interest at their initial development stage – Common Interest Groups (CIGs) which could enable cooperation among the better-off and the poor</p> <p>CIGs enable contract farming between private sectors and the farmers.</p> <p>RCGs could help the farmers to enjoy economy of scales through buying inputs and selling produces together</p>	<ul style="list-style-type: none"> • RCGs can not directly access resources such as land or credits from the banks in the names of the RCGs, since they do not have legal status like cooperatives or enterprises • RCGs can not be direct sub-contractors in commodity transactions, therefore, RCGs face many constraints in linking rural farmers with the markets • RCGs usually do not have good business management skills and marketing abilities. 	<ul style="list-style-type: none"> • IFAD has opportunities in continuing its support to develop RCGs and CIGs in many provinces and link the local experience with policy formulation process at the central level • RCGs have opportunities to develop the farmer's groups into either local enterprises or cooperatives • RCGs need better financial assistance and BDS at their early stage. However, their access to finance services remain key obstacles • Local government and IFAD projects have opportunities to pilot a competitive mechanism of grant allocation to CIGs and RCGs (like CLAR mechanism in Peru)
Viet Nam Bank for Agriculture and Rural Development	<p>Mandated micro-finance activities targeted at the rural population with priorities to the poor but with market-based interest rates.</p> <p>Reasonably good liquidity position to meet local micro-finance needs.</p> <p>Expanding branch network and services down to the commune level.</p> <p>VBARD has used model of partnership with mass organization for individual loans delivery but through interactions of group members.</p>	<ul style="list-style-type: none"> • High transaction costs as individual lending methodology is main and group lending not mainstreamed. • Lending procedures still not geared to give access to medium and long term loans. 	<ul style="list-style-type: none"> • Can be helped to improve the orientation and approach to micro-finance and group lending. • Limited outreach in mountainous and remote areas, weak network compared to VBSP in difficult areas. • Ongoing policy dialogue with bank management to provide better finance access for SMEs and business groups.
Viet Nam Farmer's Union Viet Nam Women's	<p>Very well structured organizations from the central level to villages.</p>	<ul style="list-style-type: none"> • In principle they are organizations with political mandates therefore they have met many difficulties in delivering economic development services. 	<ul style="list-style-type: none"> • Farmer's Organizations development is ideal objective for possible cooperation with the Farmer's Union

Organisation	Strengths	Weaknesses	Opportunities/Threats
Union	<p>As representative bodies of social classes the mass organizations have advantages in providing feedback and comments on state policies and activities</p> <p>Mandated to mobilize social supports for implementation of the national policies and programmes, the mass organizations have a substantive number of staff at the grassroots level</p> <p>Under the market reforms, mass organizations have been mobilized to deliver public services such as legal assistance, microfinance delivery and social welfare activities. They have accumulated experiences in development of community capacities and promotion of grassroots democracy.</p>	<ul style="list-style-type: none"> • Needs of training to mass organization cadres on civil society concepts and skills for social mobilization in addition to professional areas. • Markets-based rural development approach is quite new area to the mass organizations • Lack of policy, mechanism and initiatives for VFU and VWU in policy feedback and policy advocacy • Weak capacities of local mass organization units, in terms of social mobilization and policy feedback, business management, marketing, finance and human resources management 	<ul style="list-style-type: none"> • Mass organizations are very good partners to deliver the public awareness programme on markets and business opportunities • Opportunity to improve the roles of mass organizations for strengthening the “Voices of the Poor” under their mandate to provide social feedback to decision makers. • IFAD could continue to develop cooperation with Women’s Union in delivery of microfinance service through the Women’s Saving and Credit Groups, and with VFU in facilitation of development of RCG/CIG

Key file 3: Complementary donor initiative/partnership potential

Agency	Priority sectors and areas of focus	Period of current country strategy	Complementarity/Synergy Potential
Asian Development Bank	<ul style="list-style-type: none"> business-led, pro-poor economic growth; social equity; and the environment. 	2011 - 2015	<ul style="list-style-type: none"> Making Markets Work Effectively for the Poor (M4P/M4P2): M4P2, including a Challenge Fund and a Policy Action Research Unit. is financed by the ADB and DFID, is an active partner for IFAD in the implementation of the ongoing country programme, documenting and providing a learning platform. The M4P- II Challenge Fund could partner with private initiatives to create a social and economic impact in project provinces or provide a model for a comparable IFAD project approach. Quality and Safety Enhancement of Agriculture Products: This ADB Project, could provide an anchor for some of the food safety related activities that IFAD would be implementing in the IFAD supported Project provinces. Agricultural Science and Technology. This ADB project will serve as a model for the implementation of participatory, market oriented and needs based extension service delivery in IFAD project provinces. Agricultural finance: Possible collaboration on rural financial services development (reform of the VBSP) Climate change: Opportunities exist to collaborate with the ADB on climate change adaptation initiatives in MARD.
Australia (AusAID)	<ul style="list-style-type: none"> stimulating regional trade by supporting major infrastructure projects; improved access to water and sanitation services; climate change adaptation and mitigation; human health including sustainable health services and combating HIV and emerging diseases; high priority regional economic and trans-boundary issues. 	2010 - 2015	<ul style="list-style-type: none"> IFAD will explore opportunities to collaborate with AusAID in the fields of climate change adaptation and mitigation in the MARD
Belgium	<ul style="list-style-type: none"> improved governance; improved access to water and sanitation services; 	2010 - 2015	<ul style="list-style-type: none"> IFAD will explore opportunities to collaborate with Belgium in the fields of improved governance at provincial level and SEDP planning tools, particularly in light of the draft Decree on local SEDP guidelines
Canada (CIDA)	<ul style="list-style-type: none"> poverty reduction focused on supporting rural enterprise development and agricultural productivity. 		<ul style="list-style-type: none"> Reforms for transparent and accountable governance: At the provincial level, both CIDA and IFAD are working in Ha Tinh and Tra Vinh provinces on similar objectives of pro-poor economic growth through area development; a provincial level partnership should be formed to carry our related policy and institutional reforms. CIDA has a comparative advantage in mainstreaming and building capacity. Improved Rural Livelihoods: As CIDA and IFAD are working on improved viability of rural small and medium enterprises for improving livelihoods, it is an area where joint knowledge management products can be generated at the provincial level. IFAD would like to learn from CIDA with regards to increased national capacity to meet international food-quality standards and gain access to regional international markets. Gender: For CIDA and IFAD, gender and environmental sustainability are crosscutting themes.
Denmark (DANIDA)	<ul style="list-style-type: none"> good governance and corruption reduction; pro-poor economic growth; 	2011 - 2015	<ul style="list-style-type: none"> Grassroots Democracy Decree: DANIDA's interventions are in provinces where the poverty incidence is high, i.e. in the Central Highlands, the Mekong Delta and in

Agency	Priority sectors and areas of focus	Period of current country strategy	Complementarity/Synergy Potential
	<ul style="list-style-type: none"> human resource development. 		<p>the North Central provinces. It would be useful to approach DANIDA to work together to operationalize the Grassroots Democracy Decree to actively involve local communities in the preparation and implementation of activities. Improved governance, including increased transparency and accountability in the public sector and the development of a better functioning judicial system, limits the arbitrariness of decisions and rights. This will particularly benefit the population groups without connections and influence, primarily poor women and men. It will also reduce corruption and improve predictability, which is essential for the development of the private sector.</p>
European Commission (EC)	<ul style="list-style-type: none"> SEDP implementation; human health development. 	2007-2013	<ul style="list-style-type: none"> IFAD will explore opportunities with the EC to collaborate in the field's market-based socio-economic development at provincial level. Public private partnerships (PPP) – EC is commencing a twinning arrangement to introduce its private sector companies to different sectors in Viet Nam, IFAD could work with the EC to look at agricultural investment in Viet Nam.
Finland	<ul style="list-style-type: none"> multi-sectoral poverty reduction programs; improved access to water supply and sanitation; rural development; and forestry. 	2006-2015	<ul style="list-style-type: none"> Forestry: Finland continues to support the establishment of a National Forest Strategy and its integration into the national five-year planning system as well as the strengthening of sector coordination and monitoring capacity. As IFAD strengthens its efforts for sustainable and equitable use of natural assets and addressing climate change risks, it is proposed that the partnership with Finland be strengthened.
France/AFD	<ul style="list-style-type: none"> banking and non-banking financial sector reform decentralization and local authorities; urban infrastructure and public market services; rural economic development 		<ul style="list-style-type: none"> NTP-NRD: IFAD will explore opportunities with France to collaborate in the fields of market led growth, human capital development, poverty reduction and community based development.
Germany (BMZ, GIZ, KfW)	<ul style="list-style-type: none"> sustainable economic development and vocational training; environmental policy and protection and sustainable natural resources use; urban development; and human health. 		<ul style="list-style-type: none"> Knowledge Management: GIZ and IFAD collaborate in 2 provinces, Ha Tinh and Tra Vinh under the Improving Market Participation of the Poor (IMPP) project. This collaboration will extend into the new COSOP. Climate Change and Environmental services: This is an area where GIZ has a comparative advantage and experience. As IFAD expands its programme into carbon accreditation, it would be beneficial to build on the experience of GTZ. As climate change impacts heavily the Delta areas, it is suggested that there should be some collaborative learning in the Mekong provinces of Tra Vinh, Ben Tre and Soc Trang Programme based approach: GTZ and IFAD collaboration is a good example of a programme based approach and strengthens the rationale for technical cooperation to complement the investment through harmonised planning and monitoring processes.
Japan (JICA)	<ul style="list-style-type: none"> institutional strengthening and growth; environmental development 		<ul style="list-style-type: none"> Transport corridors: JICA projects tend to be medium to larger scale infrastructure projects, where there is possibility; complementary agricultural and livelihoods improvement investments could be made by IFAD. More detailed planning would need to take place. Promotion of Growth and Competitiveness: JICA efforts are made in strengthening human resource and institution building by transferring technology and knowledge. Particularly in the context of rural transformation and development, it would be excellent if possibilities for technical cooperation partnership with JICA could be developed.

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			<ul style="list-style-type: none"> • Geographical focus: Development Studies (DS) are conducted to formulate development plans at the national or regional level in various social and economic fields. If the geographic focus is the same, IFAD can look at the possibility of building on JICA's DS. • Climate change: Opportunity to collaborate in the MARD on climate change mitigation through biofuels and climate change adaptation research and development.
Luxembourg	<ul style="list-style-type: none"> • poverty reduction; • institutional capacity development in the banking and finance sector; • hospitality and tourism industry development. 	2010 - 2015	<ul style="list-style-type: none"> • Integrated Rural Development: In a technical cooperation partner in the 'Developing Business with the Rural Poor' in Cao Bang province, • Knowledge management: As Cao Bang is one of Luxembourg's priority provinces; Luxembourg has a number of initiatives in this province. Luxembourg and IFAD are making joint efforts to consolidate experience in the context of the knowledge management strategy, in specific areas, e.g. vocational training
The Netherlands	<ul style="list-style-type: none"> • equitable growth • pro-poor value chains 		<ul style="list-style-type: none"> • Public Private Partnership: The Netherlands is a major donor in providing support to the implementation of Public Private Partnerships. IFAD would like to partner with the Netherlands with regards to knowledge sharing on how to work with the private sector and on specific pro-poor commodities.
Norway (NORAD)	<ul style="list-style-type: none"> • environment, climate change and sustainable development; • human rights, including workers' rights. 		<ul style="list-style-type: none"> • IFAD will explore opportunities to collaborate in the fields of market led growth, natural resource management environment, climate change, human capital development, gender, poverty reduction and community based development. Norway has a comparative advantage in REDD and climate change related activities and IFAD could learn from Norway.
One UN	<ul style="list-style-type: none"> • support to vulnerable groups (ethnic minorities, HIV/AIDS, migrants) • mainstreaming gender; • rights based development, including youth. 		<ul style="list-style-type: none"> • IFAD is working with the UN One to develop provincial policy options defined and decisions promulgated to promote "inclusive, green, people-centered, and equitable development; Provincial planning processes are climate proofed and specific programs have been formulated and to reduce climate change vulnerabilities in rural areas; and a conducive environment for private sector engagement and enterprise with particular focus on micro and small enterprises is developed • FAO on the Monitoring and Evaluation (M&E) System for the NTP-NRD: The system will serve as a strong tool and a reliable information base for evidence-based policy formulation and results-oriented planning processes. Appropriate policy documents needed to institutionalise the M&E system in the sector will also be worked out accordingly. AS IFAD is putting more efforts in working with MARD, it would be interesting to try to engage and build a harmonised M&E system.
Spain	<ul style="list-style-type: none"> • poverty reduction through environment and rural development; • gender in development. 		<ul style="list-style-type: none"> • IFAD will explore opportunities with Spain to collaborate in the fields of natural resource management environment, climate change, gender, poverty reduction and community based development.
Sweden (SIDA)	<ul style="list-style-type: none"> • Swedish development assistance is being phased out over the strategy period, however, there will be selective cooperation on: <ul style="list-style-type: none"> ○ improved governance; ○ human rights; ○ environment protection. 	2009 - 2013	<ul style="list-style-type: none"> • Provincial platform building for partnership and policy dialogue around participatory planning: Sweden is supporting capacity building at the local levels of participatory planning and implementation of bottom up decision making processes through Chia Se, which has done excellent work in the areas that it works. Sweden and IFAD are in the same provinces, it is possible to support Provincial level reforms for public administration, the regulatory framework and public financial management. • Sustainable use of natural resources: Environmental management and climate change are of mutual interest to Sweden and IFAD; increased dialogue needs to

Agency	Priority sectors and areas of focus			Period of current country strategy	Complementarity/Synergy Potential
					<p>take place with the Government in a concerted fashion.</p> <ul style="list-style-type: none"> • Gender: For Sweden, gender is a crosscutting issue, mainstreamed in all sectors; we could try to share the capacity that is built.
Switzerland	<ul style="list-style-type: none"> • improved governance; • rural livelihoods and natural resource management; • private sector development. 			2007 - 2011	<ul style="list-style-type: none"> • Financial Management Reform: The Government of Viet Nam (GoV) has started developing a comprehensive Public Financial Management Modernisation Programme (PFMMP). The Like-Minded Donor Group (LMDG) members including Governments of Denmark, the Netherlands, Norway, Sweden, Canada, the United Kingdom and Switzerland decided to support the PFMMP. While IFAD is not part of this initiative, currently, it would be seen whether IFAD can engage.
United Kingdom (DIFD)	<ul style="list-style-type: none"> • poverty reduction • improved governance and anti-corruption; • human rights. 			2011 - 2015	<ul style="list-style-type: none"> • Making Markets Work Effectively for the Poor (M4P/M4P2): M4P2, including a Challenge Fund and a Policy Action Research Unit. is financed by the ADB and DFID, is an active partner for IFAD in the implementation of the ongoing country programme, documenting and providing a learning platform. The M4P- II Challenge Fund could partner with private initiatives to create a social and economic impact in project provinces or provide a model for a comparable IFAD project approach. • UN Reform: DFID is a strong advocate of the UN reform process and 'Delivering as One' - One Plan, One Leader, One Budget, One House and One set of Management Practises. Within this umbrella, IFAD continues to work towards being part of the One UN initiative and indirectly benefits from DFID support of the initiative. • Climate Change: While this remains a large area that needs to be addressed, there is still a need for inter-ministerial dialogue. DFID is working with other donors to encourage the Government of Viet Nam to address climate change in its programme. As this is a new area for IFAD, it would be explored with a consortium of development partners.
United States of America (USAID)	<ul style="list-style-type: none"> • economic growth; • HIV/AIDS treatment; • Access to education and other social services. 				<ul style="list-style-type: none"> • Information and Communication Technology (ICT) activities: in the context of Viet Nam's efforts to set up the application and development of IT targeting communities at the village level to improve access to, knowledge of, and appreciation for telecommunications technology, IFAD can collaborate with USAID.
World Bank	Competitiveness <ul style="list-style-type: none"> • Improved economic management • infrastructure services • capacity for innovation and value addition 	Sustainability <ul style="list-style-type: none"> • Improved natural resources management; • Strengthened environmental protection and management; • Disaster preparedness and climate change 	Opportunity <ul style="list-style-type: none"> • Poor household resilience to shocks; • Improved basic infrastructure and public service delivery; 	2012 - 2016	<ul style="list-style-type: none"> • Innovation: Based on continued dialogue with the WB country office, linking innovations emanating from IFAD projects to the applied research department in the WB, may ensure that there is learning from the innovations and to ensure that the methodology can be captured in a systematic way. • Rural finance: As the guidelines for Decree 28 have been issued recently on the establishment of microfinance institutions, there is a possibility of creating sustainable institutions in that rural space and guiding them as credible MFIs. As WB would be developing a Rural Finance Project – II, IFAD should link microfinance experience to the larger policy framework discussions. • Climate change and disaster preparedness: An area that both WB and IFAD would like to see brought forward in consultation with the Government and other development partners. • Partnering: The major area of opportunity for partnering with the World Bank is with their multi-sector poverty reduction program in the Central Highlands. WB support is expected to include: upgrades in basic productive infrastructure; measures to enhance/diversify livelihood opportunities (and linkages to product and labour

Agency	Priority sectors and areas of focus		Period of current country strategy	Complementarity/Synergy Potential
				markets); safeguards against weather-related and other risks/shocks; strengthened provision of and access to micro-finance and other financial services for the rural poor and rural SMEs, including through ICT applications; and conditional cash transfers in support for household-targeted social protection systems.
International Non-Government Organizations (INGOs)				
Oxfam GB	<ul style="list-style-type: none"> • sustainable livelihoods and gender equity; • disaster preparedness and climate change adaptation. 			<ul style="list-style-type: none"> • IFAD will explore opportunities to collaborate with Oxfam in the fields of natural resource management environment, climate change, gender, poverty reduction and community based development.
CARE International	<ul style="list-style-type: none"> • community based development; • rural development and natural resource management; • health (HIV/AIDS) and other social programmes 			<ul style="list-style-type: none"> • IFAD will explore opportunities to collaborate with CARE in the fields of natural resource management environment, climate change, human capital development, gender, poverty reduction and community based development.
SNV	<ul style="list-style-type: none"> • increased production, employment and equitable income opportunities; 	<ul style="list-style-type: none"> • improved access, coverage and quality of basic services. 		<ul style="list-style-type: none"> • IFAD will explore opportunities to collaborate with SNV on public private partnership development.
	<ul style="list-style-type: none"> • Advisory services cover: energy, smallholder cash crops, forest products, pro-poor sustainable tourism, and water, sanitation and hygiene 			

Key file 4: Target group identification, priority issues and potential response

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	Support from Other Initiatives	COSOP Response
Market participant farmers and micro-entrepreneurs	<ul style="list-style-type: none"> • Fewer market opportunities; • Inadequate land use rights; • Low levels of collective action; • Insufficient access to credit; • Indebtedness; • Asymmetric market information vis a vis traders/buyers ; • Low yield and low productivity; • Vulnerability to natural disasters, calamity, • Market fluctuations; • Poor infrastructure and poor market access; • Low caloric intake coupled with increased incidences of disease. 	<ul style="list-style-type: none"> • Labour migration; • Livestock production and sale; • Loans from non-financial sources; • Limited VBSP concessional lending; • Local micro-businesses; • Children prioritized during periods of food scarcity 	<ul style="list-style-type: none"> • Market oriented infrastructure development; • climate smart agriculture technologies; • farming contracts; • value addition through market chain linkages; 	<p>NTP-NRD. This programme strengthens infrastructure for agriculture production (mainly irrigation), market access and social services, builds farmer and government staff capacity and reduces environmental risk. Twenty percent of communes are expected to achieve the 19 NTP-NRD targets by 2015 and 50% by 2020.</p> <p>MPI has proposed the introduction of a programme to encourage investment through the provision of subsidized loans for training and development of SMEs.</p>	<ul style="list-style-type: none"> • Enhancing the enabling environment for further investment by private sector; • Provincial, district and commune MOP-SEDPs support climate smart, market-led development; • Small and marginal farmers are target group for value chain engagement; • Small rural entrepreneurs target group for enterprise development; • Savings and credit schemes linked to financial markets would be developed for the target group; • Needs-based, gender sensitive and diversified extension services developed; • Alternative adaptation to climate change pathways developed and tested; • Risk management strategies piloted, including insurance; • Improved essential services (e.g. clean water and health care); • Conditional cash transfers to support enhanced community based productivity investments (child care centres, market access infrastructure, etc.); • Vocational training in support of off-farm employment;
Subsistence farmers in upland areas	<ul style="list-style-type: none"> • Poor market access and communications • Poor access to social services • Limited access to credit • Lack of appropriate upland farming technology • lower quality of natural and social endowment; • Higher dependency on 	<ul style="list-style-type: none"> • Migration /Resettlement • Subsistence farming and livestock • Sell land rights • Expand swidden fields • Collect, process and sell forest products; • Limited VBSP concessional 	<ul style="list-style-type: none"> • vocational training in support of off-farm employment; • Food security for the poor and most vulnerable households • Improved access to markets and vocational training opportunities • Development of grass-roots institutions with capacity to guide the development process; • Strong savings and credit groups and the establishment of effective 	<p>The NTP-PR seeks to help poor households and communities through:</p> <ul style="list-style-type: none"> • access to land and agricultural production support for the poor. • micro credit for the poor • investing in rural infrastructure; • vocational training and technology transfer for the poor. • access of the poor to basic health and education. 	<p>(As above, but with greater emphasis on following)</p> <ul style="list-style-type: none"> • Improved market access for upland poor, capitalising on niches/ opportunities • Expanding the capabilities of the upland poor and the vulnerable through self-help, asset accumulation, and acquisition of new skills and technologies.

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	Support from Other Initiatives	COSOP Response
	<p>the environment and natural resources</p> <ul style="list-style-type: none"> • Vulnerability to natural shocks, loss of livestock due to disease and weather shocks • Few economically active household members • Indebtedness • Illness in family 	<p>lending;</p> <ul style="list-style-type: none"> • Borrow from moneylenders having usurious repayment conditions 	<p>linkages with the formal banking sector</p> <ul style="list-style-type: none"> • Improved access to and management of forest resources to generate income on a sustainable basis • Integration with emerging value chain and business enterprises 		<ul style="list-style-type: none"> • Reducing vulnerability through conditional cash transfers and improved access to microfinance
Ethnic minority communities	<p>In 2006, ethnic group poverty rates included Khmer-Cham (34.6%), Tay-Thai-Muong-Nung (45.6%), Other Northern Uplands (72.4%) and Central Highlands (73.6%). Causes of poverty include:</p> <ul style="list-style-type: none"> • lower quality of natural and social endowment; • lower education participation, particularly girls; • Number of dependents; • isolation and weak rural infrastructure; • lower returns on their assets • social constraints to market-led economic transition; • frequent inability to communicate effectively in Vietnamese; • greater exposure to natural hazard; • negative stereotyping of minority communities; • higher malnutrition, particularly amongst children. 	<ul style="list-style-type: none"> • government subsidies; • VPSP concessional lending; • community support; • cut food expenses; • take unfavourably loans from local merchants; • seek on and off-farm labour employment (especially youth); • asset sales, especially livestock; • exit schooling; • Reduced health care. 	<p>(Same as above plus)</p> <ul style="list-style-type: none"> • Adult numeracy and literacy; • improved female education participation. 	<p>Program 135-iiiis expected to improve rural infrastructure, generate income and employment, and build local administrative capacity in identified poorest communes in remote and upland areas. The programme will include preferential loans to poor households.</p> <p>Other Ethnic Minority Support Programs. A number of other programs are managed by CEM to provide support specifically to poor ethnic minority households, as follows:</p> <ul style="list-style-type: none"> • free distribution to disadvantaged households of items such as iodized salt, kerosene, fabric, medicines for treatment of malaria and diarrhoea, school textbooks and notebooks, and school fee exemptions; • provision of price subsidies to service providers (especially to cover transport costs to remote areas) and price-support for products marketed by disadvantaged ethnic minority communities; • production support, including provision of basic production tools, seed, fertiliser, pesticides, and training; • extension of the public broadcasting network to ethnic 	<p>(Same as above plus)</p> <ul style="list-style-type: none"> • Literacy and numeracy programmes to allow ethnic minorities to understand their rights, negotiate effectively with government structures and representatives and participate in community based development activities; • Conditional cash transfers targeted to keep ethnic girls in education; • An appropriate information strategy (since many ethnic people are not fluent in the Vietnamese language and the incidence of female illiteracy is high); • Prioritization and sensitization of government staff to issues and problems relating specifically to ethnic minorities.

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	Support from Other Initiatives	COSOP Response
Unskilled and waged labour	<ul style="list-style-type: none"> • Few capital assets; • No land or limited productive land; • Vulnerability to natural disasters; • Limited skills; • Little access to credit; • Few economically active household members; • Seasonal under-employment; • Low wage seasonal labour; • Indebtedness; • Illness in the family; 	<ul style="list-style-type: none"> • Seasonal low wage employment; • take usurious loans from local merchants; 	<ul style="list-style-type: none"> • employment information and brokerage; • vocational training for off-farm employment; • savings and credit programs linked to financial institutions; • local entrepreneurs creating employment opportunities 	<p>minority areas.</p> <p>VBSP provides subsidised loans to poor households for productive activities.</p>	<ul style="list-style-type: none"> • Vocational skills training to expand employment opportunities; • Landless and waged labour benefit from employment on farms and rural and peri-urban enterprises • The target group would benefit from employment on labour intensive rural infrastructure works; • Appropriate savings and credit schemes would be developed for the target group • The target group would benefit from improved essential services (e.g. clean water) • Integration with investments by private enterprises
Women, particularly Ethnic Minority Women	<ul style="list-style-type: none"> • Inequity in access to productive resources/ agricultural inputs • Gender biases in rights and entitlements: Land Use Certificates (LUCs) (women hold just 19% of Land Tenure Certificates). • Poor access to credit • Lower participation in informal education, vocational and job training and agricultural extension • Weaker health status • Power disparities between males and females in community; • maternal deaths due to abortion 	<ul style="list-style-type: none"> • Subsistence farming and livestock • Seasonal and unskilled labour and waged employment in uncertain conditions • Gender-gap in access to decision-making positions in local government • Handicraft production 	<ul style="list-style-type: none"> • Empowerment of women to participate in grassroots decision making • Women's savings and credit programmes linked to financial markets; • Strengthened farm financial management skills • Improved accessibility, quality and affordability of essential services • Secure land use rights; • Maternal and child health care and nutrition support. • Livelihood improvement activities through training and credit support • Better labour opportunities • Literacy and numeracy training for ethnic women. 	<ul style="list-style-type: none"> • Viet Nam Women's Union and the National Committee for the Advancement of Women • Law on Gender Equality • Law on Domestic Violence • Directive No. 27/2004/CT-TTg promotes the Advancement of Women in all ministries, governmental agencies and the Provincial People's Committees. • SEDP integrates gender equality indicators into areas such as agriculture, employment, environmental management, health and education, however, monitoring of outcomes is very weak 	<ul style="list-style-type: none"> • Women empowered to fulfil their role in decision-making at the community level and beyond including allocation of community block grants; • Women's savings and loan group development • Investment in human capital through equal access to job skills, agricultural extension, and markets; opportunities etc. • Physical investments that improve women's access to basic rural infrastructure and services, such as water, energy, roads and transport; • Literacy and numeracy training • Gender-disaggregated poverty and programme monitoring data • Community based conditional cash transfers to support girls continued education.