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Enabling poor rural people
to overcome poverty

President's report

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

Project for Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces

Note to Executive Board representatives

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For: Approval

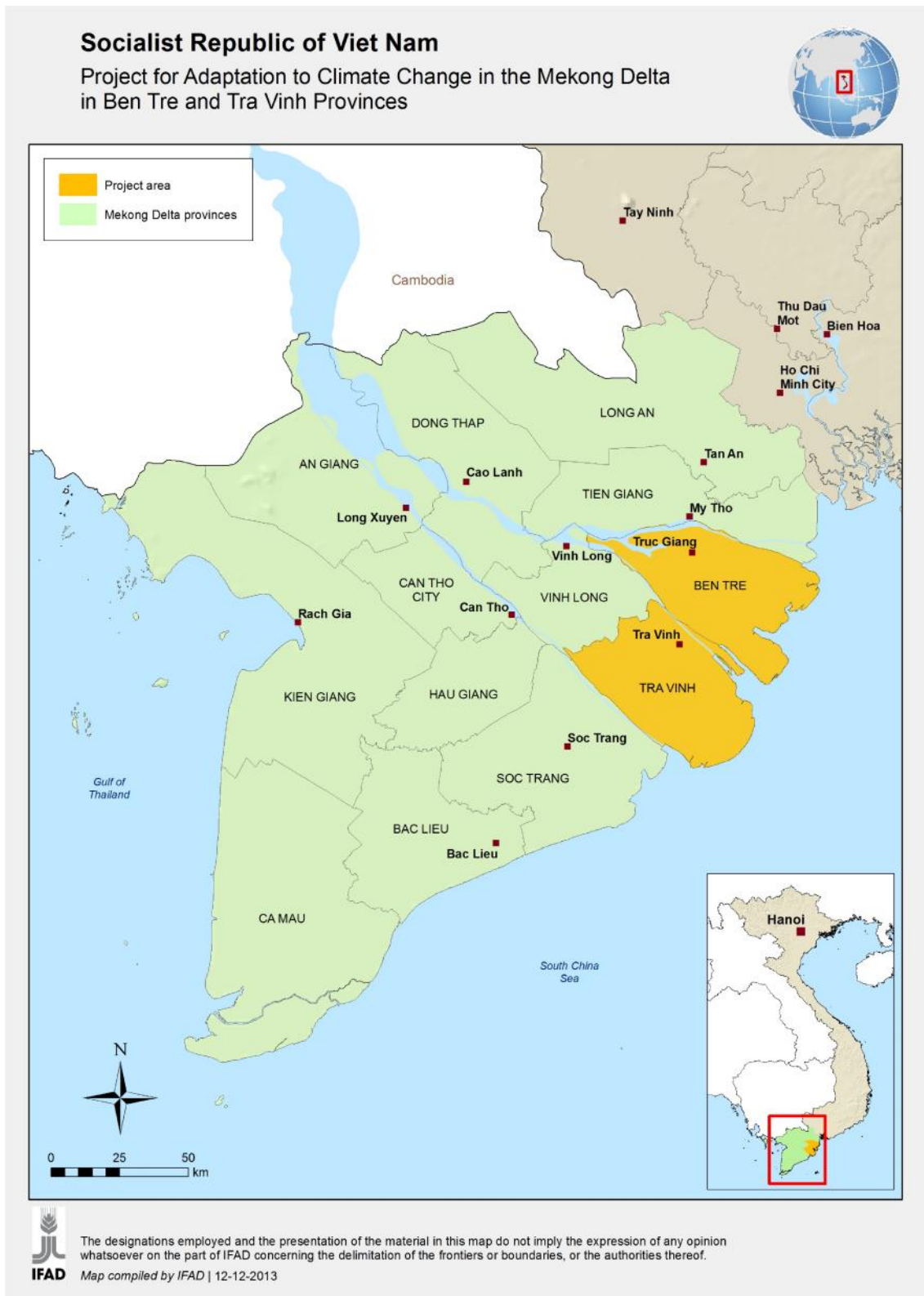
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Abbreviations and acronyms

ASAP	Adaptation for Smallholder Agriculture Programme
DBRP	Developing Business with the Rural Poor
IMPP	Improving Market Participation of the Poor Project
NTP-NRD	National Target Programme on New Rural Development
NTP-RCC	National Target Programme to Respond to CC
PCU	project coordination unit
SCG	savings and credit groups
SEDP	socio-economic development plan
WU	Women's Union

Map of the project area



Socialist Republic of Viet Nam

Project for Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Socialist Republic of Viet Nam
Executing agency:	Provincial People's Committees of Ben Tre and Tra Vinh
Total project cost:	US\$49.34 million
Amount of IFAD loan:	SDR 14.35 million (equivalent to approximately US\$22.0 million)
Terms of IFAD loan:	40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum
ASAP grant:	Adaption for Smallholder Agriculture Programme (ASAP)
Amount of ASAP grant:	SDR 7.82 million (equivalent to approximately US\$12.0 million)
Contribution of borrower/recipient:	US\$7.6 million
Contribution of beneficiaries:	US\$7.8 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to the Socialist Republic of Viet Nam, for the Project for Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces, as contained in paragraph 41.

Proposed loan and grant to the Socialist Republic of Viet Nam for the Project for Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces

Strategic context and rationale

A. Country and rural development and poverty context

1. The Vietnamese economy has sustained strong economic growth since the 1986 decision by the Government of Viet Nam to introduce a wide-ranging set of reforms known as *Đổi Mới* (renovation). From 2001 to 2012, the gross domestic product (GDP) growth rate averaged 6.3 per cent, which has resulted in rapid poverty reduction. The current poverty rate is roughly 21 per cent. Due to this growth, nearly 30 million people have been lifted out of poverty since the 1990s. These achievements have been accompanied by structural shifts in the economy with greater GDP contributions from industry and construction. However, contributions stemming from agriculture have experienced a decrease. In 1990, agriculture contributed more than 40 per cent of GDP but by 2011, the figure had dropped to roughly 20 per cent. The proportion of the labour force engaged in agriculture also dropped from more than 80 per cent in the 1990s to less than 50 per cent in 2012.
2. In recent years, the agricultural and rural sectors of the economy demonstrated growth of approximately 4.5 per cent due to liberalization and private sector engagement. The development of the rural economy, however, is still comparatively slow and not sustainable in many areas. Furthermore, agricultural production faces problems due to the impact of climate change and inadequate linkages to markets.
3. Poverty in rural areas remains a chronic problem that disproportionately affects ethnic minority communities. It is concentrated in the upland areas of the north-east and north-west mountains, the central coastal region, and the parts of the central highlands and Mekong Delta where ethnic minorities reside. While living standards in rural areas have improved due to economic development, this has brought income inequity and environmental degradation. Urbanization and industrialization often deprive poor rural people of land access and leave behind unskilled labourers and unemployed youth.
4. The average income per capita in rural areas is less than 50 per cent of that in urban areas, and the rural poverty rate is nearly three times the urban rate. Many rural households are not considered poor but maintain an income level just above the poverty line (the "near poor" or "transient poor"). With a dependence on natural resource gathering, subsistence-level agricultural production and little to no savings or state support, the near poor are vulnerable to unexpected life events and climate shocks. As such, these events are increasingly pushing the transient poor below the poverty line for longer periods. People living in rural areas spend roughly 90 per cent of their income on basic living costs. They obtain most of their

income from agriculture, forestry and aquaculture production, and from wages derived from unskilled manual labour.

B. Rationale and alignment with government priorities and RB-COSOP

5. The Project for Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces (AMD) was outlined during the development of the Viet Nam country strategic opportunities programme (COSOP) 2013-2018, which has a strong climate change adaptation thrust, and was included in the pipeline of projects that received government approval. Financing for the AMD includes a US\$22 million IFAD loan and US\$12 million in grant funds from the Adaptation for Smallholder Agriculture Programme (ASAP). A rigorous process of consultation and analysis was undertaken from 2011 to 2013 to identify the key climate change issues and areas of intervention in Ben Tre and Tra Vinh provinces in the Mekong Delta. Extensive consultations were held with local communities, provincial departments and authorities, relevant national government agencies, regional research institutes, civil society organizations and bilateral and multilateral development cooperation partners.
6. The proposed project is fully aligned with the Government's socio-economic development strategy, National Target Programme on New Rural Development (NTP-NRD), National Target Programme on Response to Climate Change (NTP-RCC) and the climate change action plan for the agriculture and rural development sector. The project orientation is consistent with the Master Plan on Climate Change Adaptation for Sustainable Agriculture and Rural Development in the Coastal Mekong Delta developed with the support of the Japan International Cooperation Agency (JICA). Specifically, it responds directly to the Master Plan's third priority project, the Cropping System Improvement Programme for Climate Change Adaptation.
7. The AMD builds on the IFAD-financed Developing Business with the Rural Poor (DBRP) Project in Ben Tre, and the recently completed Programme for Improving Market Participation of the Poor in Ha Tinh and Tra Vinh Provinces (IMPP). Both the DBRP and IMPP have received positive assessments of their impact on decentralizing project investments at commune and village levels, increasing the participation of beneficiaries, enhancing the ownership of local authorities and promoting grass-roots democracy in poverty reduction. Furthermore, many of the activities of DBRP and IMPP constitute prototype adaptation responses to climate change.
8. Communities in the provinces of Ben Tre and Tra Vinh are experiencing rising coastline temperatures, increased salinity intrusion and erratic rainfall patterns, resulting in changes to river flow and riverbank erosion. Reduced river flow as a consequence of upstream dams and associated water abstraction, combined with sea level rise and storm surge, is increasing salinity concentrations further inland. This is leading to a reduced supply of potable water, losses in aquaculture, livestock production, annual and perennial crops and overuse of groundwater resources. The impact of these effects on poor and near poor households, which includes ethnic minorities and landless people, is of particular concern as they are already highly vulnerable to shocks. Unless significant pro-poor climate change adaptation measures are developed and adopted, not only will further limitations be placed on the poor, but previous gains in poverty alleviation may be reversed due to increasing exposure to climatic risks.
9. The AMD therefore seeks to promote a systemic approach in response to climate change through the provision of adaptation pathways and a range of livelihood options for community uptake. This approach diverges from the emphasis placed by the Government and the Ministry of Agriculture and Rural Development on

structural, infrastructure-oriented adaptation, by articulating a number of non-structural or “soft” adaptation responses.¹ Considering the sensitive and uncertain hydrological dynamics of delta ecosystems, this provides a more flexible response without prejudicing future options, or risking maladaptation.

10. The AMD seeks to improve poor and near poor household resilience, income and nutrition, and to institutionalize development of pro-poor adaptation measures at the provincial, district and commune levels that are capable of responding to immediate and future climate change impacts. This will be achieved through building the adaptive capacity of communities and institutions; developing robust adaptive and applied research; improving knowledge management and monitoring systems; expanding and diversifying climate-resilient agricultural and other livelihood options; promoting more flexible land use zoning and planning; encouraging participatory planning; supporting evidence-based policy formulation; instituting rural microfinance institutions/services. Government cofinancing will also support adaptive investments at the household, community and enterprise levels.

I. Project description

A. Project area and target group

11. The project will be implemented in Ben Tre and Tra Vinh provinces in the north-east Mekong Delta Region of Viet Nam. Thirty communes have been selected in each province based on their poverty ranking, vulnerability to climate change impact and overlap with the NTP-NRD communes. The selected communes are also conveniently located along a salinity gradient, thus providing an opportunity to test alternative livelihood models.
12. Women-headed and ethnic minority households, and women, will be prioritized among the proposed project target group of poor and near poor rural households. The target group will include those with and without land or other productive assets, and those without marketable skills. The project proposes specific measures to ensure women’s participation in relevant activities, including minimum participation rates, especially in the community and commune-level planning and with regard to access to credit under the women’s social fund. The continued support of the Women’s Union will be vital in this respect.

B. Project development objective

13. The goal of the project is sustainable livelihoods for the rural poor in a changing environment. The development objective of the project is to strengthen the adaptive capacity of target communities and institutions to better contend with climate change.

C. Components/outcomes

14. The project has two components:
 - (a) Component 1: Building adaptive capacity. This component will develop a climate change adaptation management framework with participating communities, institutions and provinces for the agriculture and rural development (ARD) sector. It consists of two provincial department-led subcomponents: (i) Climate change knowledge enhancement. This subcomponent will focus on building an evidence base for adaptation, water quality monitoring and reporting, and on knowledge management and dissemination; and (ii) climate-informed planning. This will include community-based adaptation, disaster risk management planning, climate-informed socio-economic development plans (SEDPs) and policy development. These subcomponents will build on work already undertaken by research

¹ “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 2010).

institutions, development partner agencies and IFAD experience. AMD will fill gaps in knowledge on developing viable livelihood options in the face of increasing salinity, temperature and water stress and ensure that climate change concerns are explicit in the planning and resource allocation processes at the provincial level.

- (b) Component 2: Investing in sustainable livelihoods. This component will provide the financial means and facilities to scale up the results of the community-based research and development in the ARD sector and climate-informed socio-economic development activities. The focus is on financing household adaptation needs and investments in public goods that build resilience, as identified in the commune and district-level SEDP processes. This component is divided into two subcomponents: (i) rural finance for improved livelihoods, which will entail the establishment of new savings and credit groups (SCGs); transformation of credit networks into a microfinance institution; and leveraging capital for adaptation and value chain investment; and (ii) investing in climate change adaptation, involving support for community infrastructure for climate change adaptation; mobilizing cofinancing for climate change adaptation; public-private collaboration in a changing environment; and vocational training).

II. Project implementation

A. Approach

15. The AMD will be implemented over a six-year period, from 2014 to 2020, to include two cycles of five-year SEDPs (2016-2020 and 2021-2025). The AMD will adopt implementing arrangements similar to the DBRP and IMPP in Ben Tre and Tra Vinh provinces, respectively. The primary difference, however, is that the AMD will be implemented by the responsible provincial departments and supported by the project coordination units (PCUs).

B. Organizational framework

16. The AMD will be implemented under the overall guidance of the provincial people's committees (PPCs) of Ben Tre and Tra Vinh, who will then establish project steering committees to coordinate and PCUs to implement the project. The project steering committees and coordination units will assist the PPCs in mobilizing government agencies, mass organizations, research institutes, the private sector and communities at all levels to ensure achievement of the project objectives.

C. Planning, monitoring and evaluation, and learning and knowledge management

17. **Planning, monitoring and evaluation.** Both Ben Tre province and Tra Vinh province have fully developed monitoring and evaluation (M&E) systems as a result of previous projects. Additionally, they possess significant institutional capital for operation within the PCUs on all levels, from communal to provincial. As with previous projects, the annual workplan and budget (AWP/B) will be the key planning document for the project and will be harmonized with SEDP planning cycles.
18. **Learning and knowledge management.** Two approaches will be implemented for knowledge management with particular attention to climate change adaptation: (i) a knowledge management programme within the project to support project learning; and (ii) support for a broader programme of knowledge management to inform government decision-making and promoting evidence-based policy formulation.

D. Financial management, procurement and governance

19. **Financial management.** The provincial PCUs will be responsible and accountable to the Government and IFAD for the proper use of funds apportioned to them, in accordance with the respective legal agreements, subsidiary financing agreements

for financial institutions and contractual arrangements for service providers. They will provide detailed financial statements of project operations, resources and expenditures for each fiscal year, prepared in accordance with standards and procedures acceptable to IFAD. Such financial statements will be delivered to IFAD. The IFAD financial management assessment rated the fiduciary risk as medium. However, the project provinces have quite extensive experience in managing externally financed projects including those financed by IFAD, with generally good outcomes and accountability frameworks. The trained and competent staff dealing with financial management from previous projects supported by the Fund will also assume responsibility for SEDP thus minimizing the risk of inappropriate use of funds.

20. **Flow of funds.** IFAD will make funds available to the Government under the terms and conditions of the financing agreement. The Government will open and thereafter maintain designated accounts at a commercial bank acceptable to the Fund for the purpose of financing the project. There will be separate accounts for the IFAD loan funds and for the ASAP grant (denominated in United States dollars). The designated accounts will be administered following imprest fund arrangements. Government funds will flow to a separate account.
21. **Procurement.** Procurement of goods, works and consulting services financed by IFAD under AMD will be carried out in compliance with the IFAD Procurement Guidelines. National procurement procedures, processes and regulations will be applied to the extent that they are consistent with those guidelines.
22. **Internal control and external audit.** Internal control systems will be established at the PCU level. External auditors will audit the project and consolidate annual financial statements. Audit reports will be submitted to IFAD within six months of the end of the relevant financial reporting period, in compliance with the IFAD Guidelines on Project Audits. The arrangement of a computerized accounting system by PCUs and approval of a project implementation manual by IFAD have been proposed as disbursement covenants.
23. **Governance.** All significant cofinancing allocations will be endorsed by the project steering committee, approved by the PPC and subject to no objection from IFAD. Cofinancing at the commune or district level will be the result of an open and equitable SEDP-based decision-making process that includes a dispute resolution mechanism. The IFAD country office capacity for project oversight was strengthened with the recruitment of a local staff member in mid-2013. The IFAD country office is currently engaging in a discussion with other international financial institutions and development cooperation partners to identify best practices for strengthening the governance structures across IFAD's country programme.

E. Supervision

24. The project will be directly supervised by IFAD through the country office in accordance with existing arrangements in Viet Nam. Given the climate change orientation of the project, supervision support will also be provided by the IFAD Environment and Climate Division.

III. Project costs, financing, benefits

A. Project costs

25. The total project cost is estimated at US\$49.34 million. Indicative component costs by project year are detailed in table 1.

Table 1
Indicative project cost summary by component
 (Thousands of United States dollars)

	(VND million)			(US\$ '000)			% Foreign exchange	% Total base costs
	Local	Foreign	Total	Local	Foreign	Total		
A. Building adaptive capacity								
1. Climate change knowledge enhancement	133,218.8	8,738.1	141,956.9	6,343.8	416.1	6,759.9	6	14
2. Climate-informed planning	136,244.9	4,853.9	141,098.8	6,487.9	231.1	6,719.0	3	14
Subtotal building adaptive capacity	269,463.6	13,592.0	283,055.6	12,831.6	647.2	13,478.8	5	28
B. Investing in sustainable livelihoods								
1. Rural finance for resilient livelihoods	97,621.7	6,180.3	103,802.0	4,648.7	294.3	4,943.0	6	10
2. Investing in climate change adaptation	492,581.3	36,109.5	528,690.8	23,456.3	1,719.5	25,175.8	7	52
Subtotal investing in sustainable livelihoods	590,202.9	42,289.8	632,492.7	28,104.9	2,013.8	30,118.7	7	63
C. Project management	89,474.7	6,284.3	95,759.0	4,260.7	299.3	4,560.0	7	9
Total baseline costs	949,141.2	62,166.1	1,011,307.3	45,197.2	2,960.3	48,157.5	6	100
Physical contingencies	2,891.1	842.4	3,733.5	137.7	40.1	177.8	23	-
Price contingencies	79,623.5	4,170.6	83,794.1	956.5	52.5	1,009.0	5	2
Total project costs	1,031,655.8	67,179.1	1,098,834.9	46,291.4	3,052.9	49,344.3	6	102

B. Project financing

26. The project will be financed by: (i) an IFAD loan of approximately US\$22 million (45 per cent of total project costs); (ii) an IFAD ASAP grant of approximately US\$12 million (24 per cent of total project costs); (iii) beneficiary contributions of approximately US\$7.8 million (16 per cent of the total project cost); and (iv) a government contribution of approximately US\$7.6 million (15 per cent of the total project cost).

Table 2
Indicative disbursement accounts by financiers
 (Thousands of United States dollars)

	IFAD loan		GOV taxes		GOV		ASAP grant		Beneficiaries		Total		For. exch.	Local (Excl. taxes)	Duties & taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. Civil works															
Civil works	3,792.3	46.4	735.1	9.0	2,912.0	35.7	-	-	728.0	8.9	8,167.4	16.6	1,633.5	5,798.8	735.1
Design and supervision	728.0	91.0	72.0	9.0	-	-	-	-	-	-	800.0	1.6	-	728.0	72.0
Subtotal civil works	4,520.3	50.4	807.1	9.0	2,912.0	32.5	-	-	728.0	8.1	8,967.4	18.2	1,633.5	6,526.8	807.1
B. Equipment and goods	801.0	39.5	182.6	9.0	-	-	1,045.0	51.5	-	-	2,028.5	4.1	602.0	1,244.0	182.6
C. Vehicles	65.7	50.0	65.7	50.0	-	-	-	-	-	-	131.4	0.3	39.4	26.3	65.7
D. Technical assistance	1,459.4	59.6	-	-	-	-	988.6	40.4	-	-	2,447.9	5.0	506.6	1,941.4	-
E. Training	2,825.7	33.9	-	-	-	-	5,507.3	66.1	-	-	8,333.0	16.9	-	8,333.0	-
F. Research and studies	-	-	271.5	10.0	-	-	2,443.7	90.0	-	-	2,715.2	5.5	-	2,443.7	271.5
G. WSCGs financing	3,567.0	100.0	-	-	-	-	-	-	-	-	3,567.0	7.2	-	3,567.0	-
H. CCA cofinancing	5,460.0	39.0	-0.0	-	-	-	1,500.0	10.7	7,040.0	50.3	14,000.0	28.4	-	14,000.0	-
I. Recurrent costs	1,235.3	66.0	168.5	9.0	-	-	468.8	25.0	-	-	1,872.7	3.8	271.5	1,432.6	168.5
J. Salaries	2,065.7	39.1	0.0	-	3,168.7	60.0	46.8	0.9	-	-	5,281.1	10.7	-	5,281.1	-
Total project costs	22,000.1	44.6	1,495.4	3.0	6,080.7	12.3	12,000.1	24.3	7,768.0	15.7	49,344.3	100.0	3,052.9	44,795.9	1,495.4

C. Summary benefit and economic analysis

27. The economic analysis indicates that the AMD is robust in economic terms. The analysis results in an internal rate of return (IRR) of 17.4 per cent and a net present value of approximately US\$14 million calculated over 20 years, with the benefit stream reflecting quantifiable benefits that emanate from direct project activities. The sensitivity analysis reveals solid returns. The switching values show that the project would be economically viable even if benefits decreased by 24 per cent and investment costs increased by 40 per cent. Under the assumption of a one-year and two-year delay in project benefits, the IRR falls respectively to 15 per cent and 13 per cent.
28. The main anticipated benefits from the AMD are the following: (i) communities and institutions have the capacity to effectively respond to the impact of climate change; (ii) climate change considerations are built into SEDP processes; (iii) increased and more inclusive financing is provided for market-oriented,

climate-smart agriculture and agribusiness investments; and (iv) economically viable climate-resilient farming, aquaculture and other livelihood options are widely adopted.

29. The project is expected to provide significant benefits for a minimum of 125,000 poor rural people in 30,000 households. These beneficiaries will receive a combination of capacity-building, climate-informed planning, technology transfer and access to credit, as supported by upgraded community infrastructure and cofinancing of investment in their farming operations. In addition, at least 6,000 people will benefit from new employment opportunities generated by farm and off-farm investments, and at least 4,000 will receive vocational training. The project will also generate flow-on benefits to over 1.5 million rural people in both provinces through better access to salinity data and forecasts, technology development and promotion, access to credit and institution strengthening. This will lead to better climate change governance and participatory climate-informed planning across both provinces.

D. Sustainability

30. Project sustainability will be achieved by building the adaptive capacity of research institutions and of public institutions from village to provincial levels to develop sound planning, policy and response capability for advancing climate change adaptation. This investment in public processes and capacity enhancement will ensure that the mechanism to effect an effective response to climate change remains embedded within the civil service and the society it serves. It is expected that these processes and capacity can be replicated throughout the Mekong Delta, and possibly the entire country. Microfinance institutions will be set up on the basis of financial sustainability and international practices. In addition, the remaining investments, conducted primarily with existing institutions, will further contribute to long-term sustainability.

E. Risk identification and mitigation

31. The main risk for the overall goal of the project relates to external shocks to the macroeconomy. This risk is ever present in a relatively open economy such as that of Viet Nam, particularly as a high proportion of income is derived from aquaculture and agriculture export revenue. Sound macroeconomic policies, including market exchange rates, are the principal means of mitigating this risk. The mitigation measures at the project and enterprise levels are an emphasis on sound financial analysis of project investments that prioritize quality and high productivity and low cost per unit of output value.
32. The risks at the objective level concern the possibility that the systemic adaptation pathways approach is sidelined in favour of a "hard adaptation" approach in agricultural and rural development policies at national and provincial levels. The risk will be mitigated with a strong pro-poor climate change adaptation focus in project knowledge management, to generate evidence and substantive sustained investment in policy development and dialogue at provincial and national levels.

IV. Corporate considerations

A. Compliance with IFAD policies

33. The design of the AMD is guided by the IFAD policies and strategies on: targeting, gender, indigenous peoples, environmental and natural resource management, and private-sector engagement. Furthermore, the AMD is fully compliant with the objectives of the ASAP. In terms of environmental impact, the majority of activities fall under Category C, while a limited number are classified under Category B.

B. Alignment and harmonization

34. The concept note for the AMD was included in the 2012-2017 COSOP project pipeline and as such is aligned with the Government's development and climate change priorities. The AMD is compliant with all three strategic objectives of the

COSOP, to: (i) enable poor rural provinces to carry out market-led, pro-poor rural development; (ii) improve access of poor rural people – particularly women – to commodity and labour markets; and (iii) enhance the capacity of poor rural households to adapt to climate change.

C. Innovations and scaling up

35. The 2012-2017 COSOP mainstreamed climate change concerns into its strategic orientation and investment pipeline. In this regard, the AMD constitutes one of the new generation of IFAD poverty alleviation projects that have climate change considerations at their core. As such, the project is an innovation in itself. The main innovation that the AMD puts forward is the introduction of an approach that facilitates a systemic and dynamic response to climate change as opposed to the static and largely infrastructure-driven “hard adaptation” response widely being adopted. The AMD will help develop adaptation pathways through the identification of climate-resilient livelihoods. This will be done by testing new saline-tolerant crops, aquaculture and livelihood systems, introducing automated salinity monitoring and forecasting systems, mainstreaming climate change considerations into the SEDP process, leveraging policy changes to lessen restrictions of the Rice Land Designation Policy and scaling up climate-resilient livelihoods across the target provinces. The scaling-up pathway is linked to both the leveraging of policy changes in land-use zoning and adoption of an adaptation pathways approach by other provinces in the Delta.

D. Policy engagement

36. It is anticipated that the systemic adaptation pathways approach being developed through AMD will provide a more dynamic response to climate change and enable provincial authorities to better cope with changes as they take place. At the provincial level, the main policy change is an enhanced SEDP process that is not only market-oriented but also climate-resilient. It is expected that the provincial planning and budgetary allocation processes will be grounded in pro-poor adaptation pathways analysis. Furthermore, mainstreaming climate change considerations to create a climate-informed provincial SEDP will lead to more rational resource allocation at the national level for channelling through the various national target programmes.
37. The AMD will provide support in order to widen and deepen the Government's approach to social vulnerability in climate change policy, planning and investment. Currently, the provinces depend on the national level for policy support and guidance. The AMD will serve as a tool for national actors to improve their understanding of local challenges and experiences and to adapt national policies and programmes accordingly. A number of activities are being financed under AMD in this regard, including analyses and studies, the establishment of a provincial climate change coordination office in Tra Vinh, a climate change information clearinghouse and technical forums for advising policymakers at both provincial and national levels on priority issues.

V. Legal instruments and authority

38. A project financing agreement between the Socialist Republic of Viet Nam and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is attached as an annex.
39. The Socialist Republic of Viet Nam is empowered under its laws to receive financing from IFAD and from the IFAD Adaptation for Smallholder Agriculture Programme (ASAP) Trust Fund acting through IFAD in its capacity of Trustee of the ASAP Trust Fund.
40. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD financing.

VI. Recommendation

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

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Socialist Republic of Vietnam in an amount equivalent to fourteen million three hundred and fifty thousand special drawing rights (SDR 14,350,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide an ASAP grant to the Socialist Republic of Viet Nam in an amount equivalent to seven million eight hundred and twenty thousand special drawing rights (SDR 7,820,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Negotiated financing agreement:

"Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces (AMD) "

(Negotiations concluded on 6 December 2013)

IFAD Loan Number: [click and insert number]

IFAD Grant Number: [click and insert number]

Project Title: Adaptation to Climate Change in the Mekong Delta in the Ben Tre and Tra Vinh Provinces (the "Project")

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

and

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

(each a "Party" and both of them collectively the "Parties")

WHEREAS the Executive Board of IFAD at its 105th session approved the establishment of a trust fund for the Adaptation for Smallholder Agriculture Programme (ASAP Trust Fund) whose resources shall be used exclusively for the purpose of financing in the form of grants, components of IFAD projects/programmes to increase the resilience of smallholder farmers to climate change and further approved that IFAD be the Administrator of the ASAP Trust Fund, acting through its President;

WHEREAS, on the basis of the above and other considerations, IFAD and the ASAP Trust Fund has agreed to extend a loan and a grant to the Borrower/Recipient for the purpose of financing the Project, on the terms and conditions set forth in this Agreement;

NOW THEREFORE, the Parties hereto hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as amended by the Executive Board at its 108th

session (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein. The term "Loan" in the General Conditions shall apply equally to the IFAD Loan and the Grant. .

3. The Fund shall provide a Loan and a Grant to the Borrower/Recipient (all of which are collectively referred to as the "Financing"), which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. (a) The amount of the IFAD Loan is fourteen million three hundred and fifty thousand Special Drawing Rights (14 350 000 SDR).

(b) The amount of the IFAD Grant is seven million eight hundred and twenty thousand Special Drawing Rights (7 820 000 SDR).

2. The Loan is provided on highly concessional terms as defined in Section 5.01 (a) of the General Conditions.

3. The Loan Service Payment Currency for the Loan shall be US dollar.

4. The Borrower/Recipient shall repay the outstanding principal amount of the IFAD Loan in 59 equal semi-annual installments of SDR 239 167 payable on each 15 June and 15 December, commencing on 15 December 2023 and ending on 15 December 2052 , and one final instalment in the amount of SDR 239 147 payable on 15 June 2053. The service charge shall also be payable on each 15 June and 15 December.

5. The first day of the applicable Fiscal Year shall be 1 January.

6. Withdrawals from the IFAD Loan and Grant Accounts shall be made in conformity with the procedures established by the Fund in accordance with Section 4.04 of the General Conditions.

7. (a) For each Province of the Project Area, there shall be two (2) designated accounts (DAs) (collectively referred to as the "Designated Accounts"), opened and operated by the Ministry of Finance (MOF) of the Borrower/Recipient in accordance with Section 4.04(d) of the General Conditions in a bank acceptable to the Fund, for receiving and holding the IFAD Loan and Grant proceeds in USD. All accounts shall be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower/Recipient and accepted by the Fund.

(b) Project Accounts shall be opened and maintained by the respective PCUs in local currency at the Provincial Treasuries of the Project

Area to receive and maintain financing transferred from the DAs for Project eligible expenditures.

8. The Borrower/Recipient shall cause the Lead Implementing Agencies to provide counterpart financing for the Project. The counterpart financing to be provided shall amount to approximately three million seven hundred and eighty thousand United States Dollar (USD 3.78million) for each province. Government's funds shall be channeled into a separate account. For each Province the beneficiaries contribution shall amount to approximately three million eight hundred and eighty thousand United States Dollar (USD 3.88 million).

9. Procurement of goods, works and consulting services financed by the Financing shall be carried out in accordance with the provisions of the Fund's "Procurement Guidelines" approved by the Fund's Executive Board in September 2010, ("The Procurement Guidelines").

Section C

1. The Borrower/Recipient designates the respective Provincial People's Committee of the Ben Tre and Tra Vinh provinces who shall be the Lead Implementing Agencies responsible for the execution of the Project in each province.

2. The following are designated as additional Project Parties:

(a) the line agencies responsible for the implementation of Project activities such as the Department of Planning and Investment, the Department of Agriculture and Rural Development and the Department of Natural Resource and Environment of the respective PPCs;

(b) the Women's Union of the Ben Tre and Tra Vinh Provinces; and

(c) any other entity responsible for the implementation of the Project, as identified in this Agreement or in the Project Implementation Manual, or as may be agreed upon by the Borrower/Recipient and the Fund.

3. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

Section D

The Financing will be administered and the Project supervised by the Fund.

Section E

1. The following is designated as additional ground for suspension of this Agreement: The Project Implementation Manual referred to in paragraph 3, Section II (C) of Schedule 1 hereto, or any provision thereof, has been waived, suspended, terminated, amended or otherwise modified without the prior consent of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project.

2. The following are designated as additional general conditions precedent to withdrawal:

- (a) The PCUs shall have been duly established;
- (b) A draft Project Implementation Manual for each Province shall have been prepared by each PCU and the Fund has given its non-objection;
- (c) The Project Steering Committees (PSCs) shall have been duly established in Tra Vinh and Ben Tre Provinces;
- (d) The Project Directors and Chief Financial Officer/Chief Accountants of each PCU shall have been duly appointed;
- (e) The PPCs shall have confirmed the allocation of adequate counterpart funds for the first Project Year to the Fund;
- (f) The designated accounts shall have been duly opened in and the authorized signatories shall have been submitted to the Fund; and
- (g) A computerized Accounting System has been installed for the Project by the PCUs.

3. No disbursement shall be made in respect of expenditures under the Category V (Credit, Guaranteed Funds), until the draft written arrangement with the Women's Union of each province of the Project Area referred to in paragraph 2.1, Section B Schedule 1 has been sent to the Fund and the Fund has provided its non-objection.

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

For the Borrower/Recipient:

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

Copy to:

Provincial People's Committee of Ben Tre
Ben Tre Province
Socialist Republic of Viet Nam

Provincial People's Committee of Tra Vinh
Tra Vinh Province
Socialist Republic of Viet Nam

For the Fund:

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

This Agreement, dated [click and type], has been prepared in the English language in nine (9) original copies, three (3) for the Fund and six (6) for the Borrower/Recipient.

THE SOCIALIST REPUBLIC OF VIET NAM

Authorized Representative
[title]

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Kanayo F. Nwanze
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. **Target Population.** The Project shall benefit rural poor and near poor households without land or other productive assets, poor and near poor households with land or aquaculture resources, and ethnic minority households. Amongst the target population, the Project shall prioritize women-headed households, including the Khmer ethnic minority groups. The Project shall also benefit small and medium-sized rural traders and value chain entrepreneurs. The Project shall be carried out in the Provinces of Ben Tre and Tra Vinh of the Borrower's/Recipient's territory (the "Project area").

2. **Goal.** The Goal of the Project is the achievement of sustainable livelihoods for the rural poor in a changing environment.

3. **Objectives.** The objective of the Project is to strengthen adaptive capacity of the Target Population to better contend with climate change.

4. **Components.** The Project shall consist of the three following Components.

4.1 **Component 1 Building Adaptive Capacity.** The objective of this Component is to support the development of an agricultural and rural development sector climate change adaptation management framework for participating communities, institutions and provinces. It will be achieved through the following two sub-components:

Sub-component 1.1 - Climate change knowledge enhancement

This sub-component shall consist of the following activities: (a) Building an evidence base for adaptation; (b) Water quality monitoring and reporting; and (c) Knowledge management and dissemination.

- (a) Building an evidence base for adaptation. The Project will support: the identification of a core set of climate adaptation research topics through Participatory Action Research (PAR) and through an applied research program deployed along a salinity gradient; the development of PAR processes to monitor, evaluate and promote appropriate endogenous adaptation responses being practiced by farmers and aquaculture producers; the promotion of resilience building measures identified by communities and sub-sector experts and the evaluation of

climate adaptation technologies and approaches that show potential for scaling up.

- (b) Water quality monitoring and reporting. The Project will support: the development of a real-time salinity monitoring and forecasting system comprising of a network of automated salinity monitoring stations and a network of Common Interest Groups; a study to complete the design of the salinity monitoring system including the development of a multifunctional data platform; the establishment of the multifunctional data platform equipped for data storage and the processing of data and dissemination.
- (c) Knowledge management and dissemination. Activities related to knowledge management and dissemination include: the development of a knowledge sharing program; the formation and operation of an inter-provincial thematic ad hoc group on climate change adaptation; the organization of inter-provincial end-user/stakeholder groups for specific production models and research; the systematization of knowledge outputs in formats readily accessible to different audiences; training of trainers including common interest group leaders for the replication and scaling-up of successful technologies and approaches and the dissemination of results through farmer-to-farmer extension through trained community interest groups leaders, learning events, field visits and study tours and presentations of results at national and regional conferences and events.

Sub-component 1.2. Climate-informed planning

This sub-component shall be achieved through: (a) Community based adaptation and disaster risk management planning; and (b) Climate-informed socio-economic development plan (SEDP) and policy development.

- (a) Community based adaptation and disaster risk management planning. Activities funded by the Project shall include: capacity-building of community and institutions on gender-equitable community-based adaptation and disaster risk management planning; preparation of vulnerability assessments and land-use planning using geospatial data system to support commune and district level plan development of community based adaptation and disaster risk management and raise awareness of expected climate change impacts among local communities. The Project will also support capacity-building on managing and

implementing community based adaptation and disaster risk mitigation.

- (b) Climate-informed socio-economic development plan and policy development. The Project will support the following activities: integration of climate-adapted farming systems and value chain development planning into an enhanced, climate-informed market-oriented SEDP for each province of the Project area; capacity-building at commune, district and provincial levels for climate-informed SEDP planning and integration of climate change concerns into Provincial Five-year SEDPs.

4.2 Component 2 Investing in Sustainable Livelihoods. The objective of this component is the scaling-up of the results of the community-based adaptation research and development in the agricultural and rural development sector generated under Component 1. The focus shall be on financing household and community adaptation needs and adaptation investments in public goods, identified by commune and district authorities in their SEDPs. Component 2 shall comprise the two following sub- components:

Sub-component 2.1 Rural finance for resilient livelihoods

This sub-component shall be achieved through the following activities: (a) establishment of new Savings and Credit Groups (SCG); (b) transformation of credit networks into microfinance Institutions (MFI); and (c) leveraging capital for adaptation and value chain investment.

- (a) Establishment of new Savings and Credit Groups (SCG). The project shall support the establishment of new women's SCGs. SCG membership will focus on poor and near-poor households with particular emphasis on the inclusion of the women-headed and ethnic minority households.
- (b) Transformation of credit networks into microfinance Institutions (MFI). The Project will support the transformation of SCGs networks into MFIs that are registered, sustainable, provincially-based through a comprehensive support package for the provincial Women's Union and their associated Women social funds . The Project will finance international and national technical assistance for business planning, on the job training, capacity building, a loan management system, required equipment, as well as, additional capital for each new MFI. Further funding shall be subject to a review acceptable to the Fund.

- (c) Leveraging capital for adaptation and value chain investment. Activities financed by the Project shall include; the organization of Provincial Agro-Finance workshops to bring key local and regional financiers, agro-enterprises, donors, and producers' representatives together to share information on various types of financing options for value chain participants in the province.

Sub-component 2.2. Investing in climate change adaptation.

This sub-component shall be achieved through the following activities:

(a) Community infrastructure for climate change adaption; (b) Co-financing for climate change adaptation; and (c) Public-Private Partnership (PPP) Facility.

- (a) Community infrastructure for climate change adaption. The Project shall support the establishment of a fund for the financing of community based small-scale infrastructure investments for climate change adaptation such as, potable water supply, sanitation and waste management, salinity management structures such as small bridges, disaster-secure access roads and water use efficient irrigation. infrastructure investment proposals shall be identified and prioritized during the annual commune SEDP process The PIM shall define the operational modalities of the fund and the eligibility criteria.
- (b) Co-financing for climate change adaptation shall support households to invest in production systems adapted to climate change impacts such as inter alia; energy efficient farm equipment and renewable energy technologies that sustainably increase household incomes to meet the costs of shifting from annual to perennial cropping systems or other climate resilient livelihoods.
- (c) The Project shall support a facility for the co-financing of investments by private businesses in support of climate-sensitive value chain development and rural employment generation. The PCU-managed facility shall support private sector investments by co-financing investments in high-quality input supply for, and raw material marketing/processing of, products from adaptive farming systems, resulting in increased income and job opportunities amongst poor and near-poor households. A capacity building programme for increasing off-farm labour opportunities shall be financed by the Project. The PIM shall define the operational modalities and eligibility criteria of the PPP facility.

Component 3 Project Management. The Project shall support the establishment of Project coordination units (PCUs) at provincial level as well as the organization and management structure as outlined in Section II below.

II. Implementation Arrangements

A. Organization and Management

1. Lead Implementing Project Agencies

1.1. The respective Provincial People's Committee of the Ben Tre and Tra Vinh provinces shall be responsible for the execution of the Project in each province. The PPCs shall appoint the Project Directors and Deputy Directors and shall approve the Project Implementation Manual and annual work plan and budget.

2. Project Steering Committees (PSCs)

2.1. *Establishment and composition.* A PSC shall be established in each province of the Project Area by the respective PPCs. Each PSCs shall include Directors or Vice-Directors of concerned line-departments and chairpersons of mass organizations and representatives from the private sector.

2.2. *Responsibilities.* Each PSC shall be responsible for the strategic management of the Project, and shall provide advice on overall coordination, orientation and mobilization of resources. Key decisions under the PPCs' authority shall be endorsed by PSCs before submission to the PPCs. The PSC shall meet at least once a year and as often as required and the PCU Project Director shall act as secretary of the PSC.

3. Project Coordination Units (PCUs)

3.1. *Establishment.* A PCU shall be established in each province of the Project Area by each respective PPC. The PCU shall assist the PSC in coordination of the provincial agencies and in management of Project financial resources.

3.2. *Composition.* Each PCU shall include a Project Director who shall have the authority to sign contracts and other agreements, a Deputy Director and a Chief Financial Officer/Chief accountant. Qualified staff shall be selected according to the Borrower's applicable procedures acceptable to the Fund. Termination of the contract of the Project Director and his/her replacement shall be subject to the Fund's no-objection.

3.3. *Responsibilities.* The PCU shall report directly to the PPC and shall be responsible for the following tasks: (i) ensure coherence of the Project approaches and strategies as well as the coordination and synergy amongst Project parties; (ii) mobilize resources; (iii) the procurement and contracting for Project activities; (iv) financial reporting and preparation of annual work plans and budget inclusive of the procurement plan; (v) preparation of the Project Implementation Manual; (vi) M&E system and other functions of the operational and financial management of the Project; (vii) management of the Public-Private Collaboration Facility in accordance with the criteria defined in the PIM; (viii) approval of the community infrastructure proposals under sub-component 2.2 (a) in accordance with the criteria defined in the PIM.

4. *Climate Change Coordination Office (CCCO) and Provincial Climate Change Steering Committee (PCCSC)*

Responsibilities. The CCCO established in the Ben Tre province shall be strengthened and one CCCO shall be established in the Tra Vinh Province by the Tra Vinh Provincial People's Committee (PPC). The CCCOs shall act as secretariats to the PCCSC and shall be responsible for climate change planning and policy development for equipping the Provincial Peoples Committee (PPC) to engage in evidence based policy discussions at both Mekong Delta and national levels.

B. Implementation of Components.

1. Component 1: Building Adaptive Capacity

1.1. The activities in relation to the building of an evidence base for adaptation shall be implemented by the Department of Agriculture and Rural Development and Tra Vinh University with the support of the regional research institute and international expertise where necessary. Technical experts and service providers shall be contracted in accordance with this Agreement for the implementation of the study for salinity monitoring. The PCUs shall implement the knowledge and dissemination activities. The implementation of the climate-informed socio-economic development planning and policy development activities shall be the responsibility of respective line agencies (DPI, DARD and DONRE), and supported by the national Community Based Disaster Risk Mitigation programme as well as NGOs retained by the PCUs. In all cases the PCUs shall enter into a Memorandum of Understanding with the respective line agencies outlining roles, responsibilities and deliverables prior to implementation.

2. Component 2: Investment in Sustainable Livelihoods.

2.1. In both provinces of the Project Area, the implementation responsibility for the establishment of new savings and credit groups shall rest with the Women's Union through their Social Funds with the support of technical assistance under the overall direction of the PCUs. To this end,

each PCU shall enter into a written arrangement agreement with the Women's Union in the form specified in the PIM.

2.2. *Community infrastructure for climate change adaptation and disaster risk reduction.* Community infrastructure investments proposals shall be selected by Communes People's Committees through the annual SEDP process with the support of the PCUs, district line agencies and technical assistance if required. In accordance with the modalities described in the PIM, the PCU shall approve each proposal including the procurement method.

2.3. *Co-financing for climate change adaptation.* The PCUs shall have the responsibility for the implementation of the activities under the co-financing for climate change adaptation in accordance with the eligibility and competitive selection criteria detailed in the PIM. The PCU shall enter into a grant agreement with each beneficiary in accordance with the small grant agreement model contained in the PIM.

2.4. *Public-Private Partnership Facility.* The PCUs shall have the responsibility to implement the facility in accordance with the criteria defined in the PIM. Each proposal shall be accompanied with an acceptable business model and financial analysis. Selected proposals shall be approved by the PSC and PPC of the concerned province. The PCU shall enter into a grant agreement with each beneficiary in accordance with the small grant agreement model contained in the PIM.

3. Component 3: Project Management

The implementation of the Project activities shall rest with the PCUs guided by the PSCs and the PPCs. This shall include inter alia entering into arrangements with Women's Unions, line agencies and contracting partners as appropriate.

C. Additional Implementation Arrangements

1. *Inter-provincial Coordination.* Inter-provincial meetings shall be held as required to enable cooperation of climate change adaptation policies and investments, identification of shared technical assistance providers, inter-provincial value chain planning and implementation, mutual training among similar staff positions and exchange visits/workshops for regional replication and up-scaling.

2. *Project reviews.* The Borrower/Recipient, the PPCs and the Fund shall jointly conduct the following reviews: two reviews of Project implementation and achievements, a comprehensive mid-term review during the third Project Year and a Project Completion Review. The Terms of Reference and time of the reviews shall be agreed by all parties.

3. *Project Implementation Manual.* The Borrower/Recipient shall request the PCUs to prepare a consolidated draft Project Implementation Manual (PIM) acceptable to the Fund. The PIM may be amended or otherwise modified from time to time only with the prior consent of the Fund. The draft PIM shall include, among other things:

- (i) Terms of reference and implementation responsibilities of Project staff, consultants and other service providers;
- (ii) A model written arrangement and/or agreement to be concluded with each Project Party which shall provide inter alia; the role and implementation responsibilities of the Project Party, the channelling of Project funds and the reporting of information related to the implementation of the Project activities.
- (iii) Criteria and indicators for the transformation of the two Social Funds into Microfinance Institutions, performance appraisal of the Project professional staff;
- (iv) The eligibility and selection criteria for the proposals to be financed under the Public Infrastructure Investment grants shall be detailed in competitive small grants manual which shall form an integral part of the PIM;
- (v) The eligibility and selection criteria for the proposals to be financed under the co-financing for climate change adaptation shall be detailed in an operations manual for co-financing for climate change adaptation which shall form an integral part of the PIM;
- (vi) The eligibility and selection criteria as well as the operational modalities of the Public-Private Partnership Facility;
- (vii) Project operational, financial and procurement procedures, including a small grant agreement model, an accounting software for bookkeeping and reporting, participatory planning, implementation and monitoring procedures; and
- (viii) M&E system and procedures.

3.1. *Approval and Adoption.* The PPCs shall cause the PCU to forward the draft PIM to the Fund for comments and non-objection. The PPCs shall adopt the PIM, substantially in the form approved by the Fund, and the PPCs shall promptly provide copies thereof to the Fund.

Schedule 2

Allocation Table

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

Category	Loan Amount Allocated (expressed in SDR)	Grant Amount Allocated (expressed in SDR)	Loan Amount Allocated (expressed in SDR)	Grant Amount Allocated (expressed in SDR)	Percentage of total expenditures
	Ben Tre	Ben Tre	Tra Vinh	Tra Vinh	
I. Works	1 330 000		1 340 000		100% net of taxes, Government and beneficiaries' contributions
II. Equipment and Material	260 000	300 000	260 000	300 000	100% net of taxes
III. Consultancies	430 000	1 010 000	430 000	1 010 000	100% net of taxes
IV. Training	800 000	1 610 000	870 000	1 610 000	100% net of taxes
V. Credit, Guarantee Funds	1 050 000		1 050 000		100% net of taxes
VI-A. Grants and Subsidies A	1 010 000	440 000	1 020 000	440 000	70% for IFAD Loan and 30% for IFAD Grant of total cost net of taxes and beneficiaries' contributions %
VI.B. Grants and Subsidies B	580 000		590 000		net of taxes 100% net of Beneficiaries' contribution
VII. Operating Costs	380 000	140 000	350 000	140 000	100% net of taxes
VIII. Salaries and Allowances	560 000	-	640 000	30 000	40% of total Cost
Unallocated	700 000	390 000	700 000	400 000	
TOTAL	7 100 000	3 890 000	7 250 000	3 930 000	22 170 000

(b) "Works" under Category I, shall mean eligible expenditures incurred related to:

- (i) infrastructure works in Component 2. IFAD loan will finance 100% net of taxes, government and beneficiaries contribution. Beneficiaries shall contribute about 10% in kind or in cash, and the Borrower/Recipient shall contribute 40% of the total construction costs of public infrastructure works respectively.

- (ii) IFAD Loan will finance 100% net of taxes (approximately USD 31 thousand for each province) for the PCU office rehabilitation, equipment/material and M&E under Component 3.
- (iii) Design and supervision of infrastructure works. IFAD loan will finance 100% net of taxes (approximately USD 0.8 million in total) for design and supervision of infrastructure works.
- (iv) Construction works for establishing shrimp seed evaluation and certification center under Component 2 shall be financed by IFAD loan 100%.

"Equipment & Material" under Category II, shall mean eligible expenditures incurred related to:

- (i) Equipment and material in Component 1 which shall be financed by IFAD Grant 100% net of taxes.
- (ii) Equipment and material under Component 2 and Component 3 which shall be financed by IFAD loan 100% net of taxes.
- (iii) One (1) four-wheel drive vehicle in each Province in the amount of approximately SDR 20,000 for each Province which shall be financed by IFAD Loan 100% net of taxes.

"Consultancies" under Category III, shall mean eligible expenditures incurred related to:

- (i) Technical assistance, research and studies in Component 1 and M&E under Component 3 which shall be financed by the IFAD Grant.
- (ii) Except for "Consultancies" financed by the IFAD grant, all other Technical Assistance, Research and Studies shall be financed by the IFAD loan.

"Training" under Category IV shall mean eligible expenditures incurred related to:

- (i) training, workshops under Component 1 and on M&E under Component 3 which shall be financed by the IFAD Grant;
- (ii) all other trainings, workshops activities shall be financed by the IFAD loan.

"Credit, Guarantee Funds" under Category V, shall mean eligible expenditures incurred related to microcredit support to Project beneficiaries through Savings and Credit Groups (SCG) and Investment Capital for MFIs under sub-component 2.1 "Rural Finance for Resilient Livelihoods" financed by IFAD loan.

"Grants & Subsidies -A" under Category VI -a, shall mean eligible expenditures incurred related to Co-financing for Climate Change adaptation under sub-component 2.2, "Investing in Climate Change Adaptation" financed by IFAD loan and grant.

"Grants & Subsidies -B" under Category VI-b, shall mean eligible expenditures incurred related to investment in support of climate smart value chain development and rural employment generation under Public-Private Partnership facility , under sub-component 2.2 financed by IFAD loan.

"Operating Costs " under Category VII, shall mean eligible expenditures incurred at all levels for recurrent operating and maintenance costs in relation to the Project such as unities, vehicle maintenance, office supplies and audit fees. Except for Climate change knowledge enhancement under Component 1 and Support to the operation of the Ben Tre and Tra Vinh CCCOs under Component 2 which shall be financed by the IFAD grant, all other operating costs shall be financed by the IFAD loan.

"Salaries and Allowances" under Category VIII, shall mean eligible expenditures related to salaries and allowances for staffing of the Tra Vinh CCCO under Component 1 which shall be financed by the IFAD Grant (40% of the total cost). 40% of other salaries and allowance for Tra Vinh, except for staffing of the Tra Vinh CCCO, will be financed by the IFAD Loan. Salaries and allowances under Category III for Ben Tre will be financed by IFAD loan.

(c) *Start-up costs.* Withdrawals in respect of expenditures for start-up costs in Categories II, III, IV, VII and VIII incurred before the satisfaction of the conditions precedent to withdrawal shall not exceed an aggregate amount of approximately USD 120 000.

Logical framework

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
<p>Goal: <i>Sustainable livelihoods for the rural poor in a changing environment.</i></p>	<ul style="list-style-type: none"> ▪ 40% reduction in the prevalence of child malnutrition ▪ 30,000 poor and near poor HHs with at least 25% improvement in household assets ownership index ▪ 60% reduction in income poverty in project communes (differentiated data for poor/near poor, ethnic minority & women-headed HHs) 	<ul style="list-style-type: none"> ▪ Baseline studies, Project mid-term evaluation, & Project completion evaluation 	
<p>Project Development Objective: <i>Adaptive capacity of target communities and institutions to better contend with CC strengthened.</i></p>	<ul style="list-style-type: none"> ▪ 100% of provincial communes and districts preparing and implementing annual climate-informed, participatory market oriented plans. ▪ At least 30,000 poor smallholder HHs members whose climate resilience has been increased 30% (gender and ethnic minority disaggregated). ▪ At least USD 30 million invested in profitable climate resilient infrastructure, farming systems and enterprises in project communes. 	<ul style="list-style-type: none"> ▪ DoNRE & DPI annual reports ▪ Project M&E system ▪ VBARD, VPSP and WU records ▪ Project baseline studies, mid-term & completion evaluations 	<ul style="list-style-type: none"> ▪ Socioeconomic conditions remain reasonably stable in the project area and climatic disasters are manageable (A) ▪ Supporting Government Departments (DARD, DoNRE & DPI) do not internalize AMD work programs and targets (R)
<p>Component 1: Building Adaptive Capacity A comprehensive agriculture sector CC adaptation management framework operating with participating communities, institutions and provinces.</p>	<ul style="list-style-type: none"> ▪ At least 15 different viable pro-poor climate resilient farming system packages, each adopted by more than 400 poor & near poor HHs 	<ul style="list-style-type: none"> ▪ DAD, DoNRE and TVU annual reports ▪ Project M&E system ▪ Project baseline studies, mid-term & completion evaluations ▪ Post training community surveys and focus group discussions 	<ul style="list-style-type: none"> ▪ Integrated disaster risk management & vulnerability reduction planning will not be effectively integrated into village-, commune- and district-level planning (R) ▪ Government issues enabling decrees for integration of CC into SEDP (A) ▪ Inter-institutional cooperation & articulation is maintained & reasonably effective (R)
<p>Outputs Sub-component 1.1: Climate Change Knowledge Enhancement. 1.1.1 Participative development of gender sensitive models for farmers & aquaculturalists to formally engage in climate resilient, profitable, production.⁴ 1.1.2 Sustainable salinity monitoring system with web-based open source database established 1.1.3 Tra Vinh University implementing an adaptive, climate-informed agricultural and aquaculture varietal research program.</p>	<ul style="list-style-type: none"> ▪ All registered users confirm timely receipt of near real-time salinity forecasts from automated salinity monitoring system. ▪ At least 25 peer-reviewed scientific papers published on climate adapted species/variety introductions into Tra Vinh and Ben Tre provinces ▪ Commune agricultural productivity index of 60 AMD communes at or above benchmarked poor communes by end PY4 	<ul style="list-style-type: none"> ▪ DARD, DoNRE, TVU ▪ Project M&E system ▪ Project baseline studies, mid-term & completion evaluations 	

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<p>Sub-component 1.2: Climate-Informed Planning 1.2.1 Communes prepare community-based adaptation and disaster risk mitigation plans 1.2.2 Provincial Departments of Planning & Investment have guidelines and tools for market oriented, climate-informed SEDP planning and the capacity to independently train district and commune staff in market oriented strategic planning.</p>	<ul style="list-style-type: none"> ▪ At least 80% of provincial communes and districts have adopted a community-based disaster risk management plan and community adaptation plan ▪ Provincial climate-informed market oriented provincial SEDPs produced for the periods 2016-2020 and 2021 to 2025. 	<ul style="list-style-type: none"> ▪ Competency based training course results. ▪ DARD and DoNRE reporting ▪ Project M&E system ▪ Prime Minister approval of 5-year provincial SEDPs ▪ Provincial Gazette (policy directives) 	<ul style="list-style-type: none"> ▪ Provincial governments integrate commune level NTP funding into the MoSEDP process (A) ▪ Provincial governments do not support private sector participation in SEDP development (R) ▪ Inadequate skills base amongst local service providers (R)
<p>Component 2: Investing in Sustainable Livelihoods Increased and more inclusive financing for market oriented, climate smart agriculture and agri-business investments.</p>	<ul style="list-style-type: none"> ▪ Less than 5% non-performing loans in WU SCG portfolios. ▪ 50% of HHs in project communes accessing credit for farming activities ▪ 30% increase in both number and resulting income of rural poor HHs having wage & non-farm sector employment (gender ethnicity & income disaggregated) 	<ul style="list-style-type: none"> ▪ Credit institution records. ▪ Case/panel studies. ▪ Project M&E system ▪ Project baseline studies, mid-term & completion evaluations 	<ul style="list-style-type: none"> ▪ Financial service providers remain interested to invest in project targeted value chains (A) ▪ Quality & availability of freshwater in the project Provinces remains adequate for development of project livelihood activities (R)
<p>Sub-component 2.1: Rural Finance for Resilient Livelihoods 2.1.1 Savings and Credit Groups established 2.1.2 Women's Union Social Funds transformed into viable Micro-Finance Institutions</p>	<ul style="list-style-type: none"> ▪ Two provincial MFIs established ▪ At least 1040 new women's SCGs having at least 19,000 members established ▪ Biennial agriculture finance conferences held in each AMD province 	<ul style="list-style-type: none"> ▪ WU records ▪ Business enterprise records. ▪ Project baseline studies, mid-term & completion evaluations 	<ul style="list-style-type: none"> ▪ Inadequate skills base amongst local service providers (R) ▪ Government completes the regulatory framework for the implementation of MFI legislation (A)
<p>Sub-component 2.2: Investing in Climate Change Adaptation 2.2.1 Climate resilient, risk reducing, small-scale commune works and infrastructure constructed 2.2.2 Poor and near poor HHs can affordably invest in profitable climate adaptation technology 2.2.3 P-PC funds allocated competitively, enabling SMEs, CIGs & Co-ops to invest in sustainable, climate-sensitive production & raise working standard and opportunities for labourers.</p>	<ul style="list-style-type: none"> ▪ 100% of project communes have infrastructure supervision boards capable of supervising, inspecting and maintaining infrastructure projects in their communes by end-PY2 ▪ 80% of participating communities & CIGs able to confirm the relevance & effectiveness of project financed commune works and investments ▪ At least 100 new sustainable commune level enterprises (including cooperatives & SMEs) operating profitably at project completion ▪ At least three sustainable investments >USD 500,000 each in agricultural supply chains, including value addition, established in each province 	<ul style="list-style-type: none"> ▪ Project M&E system ▪ Project baseline studies, mid-term & completion evaluations ▪ Case studies and beneficiary and service provider surveys ▪ Business enterprise records. 	<ul style="list-style-type: none"> ▪ Sufficient interest in market traders to participate. (A) ▪ Leveraged beneficiaries capable of providing their contribution (A) ▪ Business regulatory system remains favourable (R)