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Enabling poor rural people
to overcome poverty

Socialist Republic of Viet Nam

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

Negotiated financing agreement

Executive Board — 110th Session
Rome, 10-12 December 2013

For: **Information**

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 Unites State 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 Unites State 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 % net of taxes
VI.B. Grants and Subsidies B	580 000		590 000		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 utilities, 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.