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Investing in rural people

## President's report

Proposed loan to the Socialist Republic of Viet Nam for the Commercial Smallholder Support Project in B c Kan and Cao B ng

### Note to Executive Board representatives

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For: Approval

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## Abbreviations and acronyms

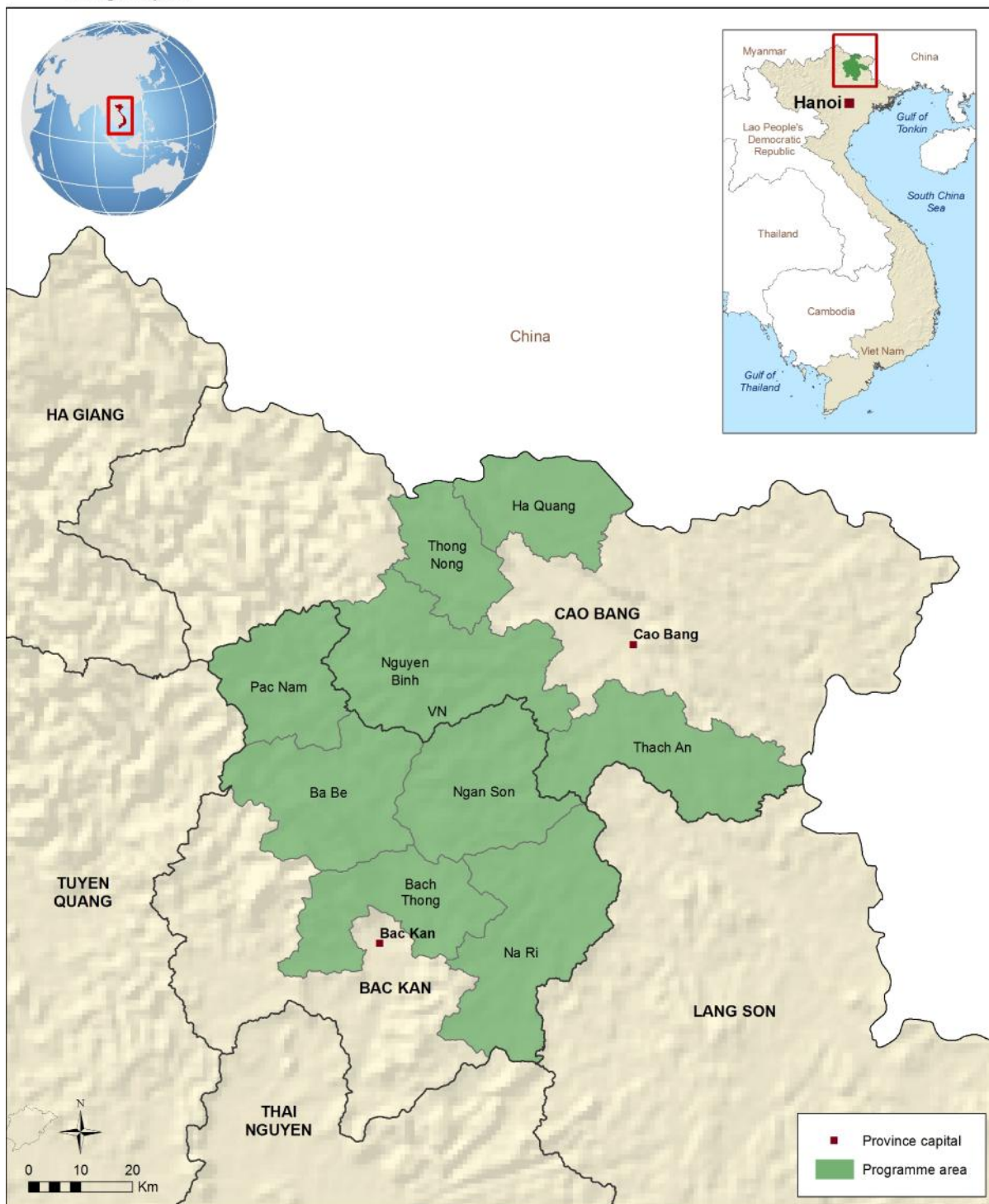
APIF	Agribusiness Promotion Investment Fund
CIG	common interest group
COSOP	country strategic opportunities programme
CSSP	Commercial Smallholder Support Project in B c K n and Cao B ng
EIRR	economic internal rate of return
M&E	monitoring and evaluation
MFI	microfinance institution
MOP-SEDP	Market-Oriented Participatory Socio-economic Development Planning
NTP-NRD	National Target Project on the New Rural Development
PPCO	provincial project coordination office
SEDP	Socio-economic Development Plan
WDF	women's development fund

# Map of the project area

## Socialist Republic of Viet Nam

### Commercial Smallholder Support Project in Bac Kan and Cao Bang

Design report



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

Map compiled by IFAD | 16-08-2016

## Socialist Republic of Viet Nam

### Commercial Smallholder Support Project in B c K n and Cao B ng

#### Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	Government of the Socialist Republic of Viet Nam
<b>Executing agencies:</b>	Provincial People's Committees
<b>Total project cost:</b>	US\$74.3 million
<b>Amount of IFAD loan:</b>	US\$42.5 million
<b>Terms of IFAD loan:</b>	Blend: maturity period of 25 years, including a grace period of 5 years, with interest at a fixed rate of 1.25 per cent plus a service charge of 0.75 per cent per annum.
<b>Amount of IFAD grant:</b>	US\$0.5 million
<b>Contribution of borrower:</b>	US\$20.6 million
<b>Contribution of beneficiaries:</b>	US\$10.7 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	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 Commercial Smallholder Support Project in B c K n and Cao B ng, as contained in paragraph 39.

### Proposed loan to the Socialist Republic of Viet Nam for the Commercial Smallholder Support Project in B c K n and Cao B ng

#### I. Strategic context and rationale

##### A. Country and rural development and poverty context

1. Since the introduction of comprehensive economic reforms known as *Đổi Mới* (renovation) in 1986, Viet Nam's economy has sustained strong economic growth. Gross domestic product grew at an average of 7.2 per cent per annum over the past 20 years, reducing poverty rapidly and lifting almost 30 million people out of poverty since the 1990s. Viet Nam was classified as a lower-middle-income country in 2009 and achieved five out of the eight Millennium Development Goals by 2010. Under the higher poverty threshold issued by the Government's Statistical Office in 2014, 17.2 per cent of the population are now considered to be living below the poverty line. These achievements have been accompanied by structural shifts in the economy. Between 1990 and 2012, the contribution of agriculture to GDP decreased by more than 20 per cent, to 18 per cent in 2013. The proportion of the labour force engaged in agriculture also decreased from more than 80 per cent in the 1990s to an estimated 46.3 per cent in 2014.
2. Notwithstanding the economic transition under way towards industrialization, agriculture continues to play an important role in maintaining Viet Nam's economic stability. The agricultural and rural sectors of the economy have, in recent years, demonstrated solid annual 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 due to inadequate linkages to markets, limited access to rural finance and technology, and the impacts of climate change.
3. In rural areas, poverty remains a chronic problem, disproportionately affecting ethnic-minority communities. It is concentrated in the upland areas of the north-east and north-west, the central coastal region and parts of the central highlands. While economic development has improved living standards in rural areas, it has also contributed to income inequity and environmental degradation. Despite the gains in per capita income in rural areas, tackling residual poverty is a persistent challenge owing to limited assets, low levels of education and poor health, particularly among ethnic minorities, who are disproportionately over-represented among the rural poor.
4. Rural areas have less than half the average per capita income of urban areas but almost thrice the poverty rate. Many rural households are not considered poor but maintain an income level just above the poverty line. With little or no savings or Government support and an almost-total dependence on natural resource gathering and subsistence farming, they are vulnerable to unexpected life events, climate shocks and the degradation of land and water resources. Approximately 90 per cent of each rural person's total spending is to meet basic living costs. The majority of their income is derived from agriculture, forestry or aquaculture production and wages from mostly unskilled manual labour. The provinces of

Bắc Kạn and Cao Bằng are among the poorest in Viet Nam, with 14.2 per cent of households classified as poor and 9.4 per cent as near poor in Bắc Kạn, and 21.4 per cent classified as poor and 10 per cent as near poor in Cao Bằng.

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

5. The Commercial Smallholder Support Project in Bắc Kạn and Cao Bằng (CSSP) was outlined during the development of the Viet Nam country strategic opportunities programme (COSOP) 2012-2017 and included in the pipeline of projects that received government approval. CSSP financing includes a loan of US\$42.5 million and a grant of US\$0.5 million to scale up IFAD-supported approaches at the national level through the National Target Programme for New Rural Development (NTP-NRD) implemented by the Ministry of Agriculture and Rural Development. A rigorous process of consultation, analysis and participatory design involving provincial authorities was undertaken from late 2014 to 2016 to identify change issues and areas of intervention.
6. The CSSP is fully aligned with the Government's Socio-economic Development Strategy 2016-20 (SEDS), the NTP-NRD, National Target Project on Sustainable Poverty Reduction and National Target Project to Respond to Climate Change. The CSSP is designed in accordance with the strategic objectives of the current COSOP, seeking to: (i) enable poor rural provinces to carry out market-led pro-poor rural development; (ii) improve access among the rural poor, particularly women, to commodity and labour markets; and (iii) enhance the capacity of poor rural households to adapt to climate change. Agriculture accounts for more than 70 per cent of employment in the project provinces. Significant market demand and opportunities for improved productivity and value addition exist in the forestry, non-timber forest products, livestock, ginger, canna, fruit, cassava and peanut subsectors in the two provinces. Opportunities also exist in ecotourism development.
7. The CSSP builds on two IFAD-financed initiatives: Developing Business with the Rural Poor Programme and the Pro-poor Partnership for Agroforestry Development Project, which ended in 2013 and 2015, respectively. Both were rated "successful" in the light of sharp reductions in household poverty levels, the adoption of broad-based strategies to improve productivity, the mainstreaming of a comprehensive decentralization and community-empowerment strategy (Cao Bằng), infrastructure development supporting enhanced agricultural production and market access, and strengthened agricultural value chains (Bắc Kạn).
8. Based on this progress, the Provincial People's Committees (PPCs) in the two provinces identified further areas for poverty reduction efforts, including: promoting market-oriented production focusing on high-value crops and animal production; providing sustainable non-State rural financial services, especially for women; strengthening linkages between enterprises and farmers through agribusiness-promotion funds; and developing upland production systems with due attention to natural resource management and climate change adaptation.
9. Bắc Kạn and Cao Bằng still face many development constraints, including inadequate capacity for market-oriented development and investment planning, poor agribusiness and risk-management skills, lack of access to finance, and inadequate rural infrastructure, in particular for upland economic activities. These constraints are exacerbated by the effects of intense rainfall, producing floods and soil erosion, and unseasonable drought, resulting in crop and livestock losses.
10. CSSP will scale up innovations developed by other IFAD-financed projects in Viet Nam, with an emphasis on: (i) the expansion of private sector investment in production and value addition in profitable commodity chains; (ii) the institutional

strengthening, training and capacity-building of existing agencies and local authorities; (iii) the integration of participatory bottom-up planning, budgeting and implementation; and (iv) broad-based reform as part of private sector-development policy to ensure increased competitiveness and the expansion of rural household incomes and asset-generating opportunities, particularly for poor people. The Government through NTP-NRD is providing significant cofinancing for CSSP, indicating a strong sense of commitment and ownership. The US\$100 million Asian Development Bank Basic Infrastructure for Inclusive Growth in North-eastern Provinces Project, due to commence in 2017, is expected to complement CSSP investments.

## II. Project description

### A. Project area and target group

11. Project area. The project will be implemented in the north-eastern provinces of B c K n and Cao B ng in Viet Nam. Participatory process in both provinces identified 70 communes based on poverty rates, vulnerability to natural disasters, the commitment of local leadership and the potential to develop pro-poor value chains.
12. Target population. The project target groups will comprise: (i) rural poor and near-poor households with land and available labour, including household enterprises; (ii) unskilled employed rural people; (iii) rural people who lack productive land but have business acumen and desire; and (iv) farmers who have the skills to promote commercial agricultural production. Women and woman-headed and ethnic-minority households will be prioritized among this target group.

### B. Project development objective

13. The overall objective of the project is to contribute to sustainable poverty reduction in B c K n and Cao B ng. The development objective is to sustainably improve the income and reduce the climate vulnerability of poor and near-poor farm households.

### C. Components/outcomes

14. The project comprises three main components and a project management component:
  - Component 1: Institutionalized provincial participatory planning. This component aims to ensure that provincial socio-economic development planning is legislated, holistic, participatory, climate-adapted and market-oriented. It has three subcomponents that together underpin the Market-Oriented Participatory Socio-economic Development Planning (MOP-SEDP) process.
    - (i) Strategic investment plan. During the first year of the project, this subcomponent will support provincial project coordination offices (PPCOs), backed by international technical assistance, in conducting financial and economic analysis of key commodity and associated value chains in both provinces to be incorporated into provincial, district and communal MOP-SEDPs.
    - (ii) Climate change-adaptation planning. This subcomponent, spearheaded by the Provincial Ministries of Natural Resources, Environment and Planning, will support: (a) the updating of provincial climate change action plans; (b) awareness-raising of climate change risks at the commune, district and provincial levels to improve resilience; and (c) the building of capacities to integrate climate change adaptation into the MOP-SEDP process.



- (iii) Dissemination of climate-informed market-oriented socio-economic development plans. This subcomponent will roll out the climate-adapted MOP-SEDP through: (a) strengthened public sector market economy skills; and (b) focused support to adapt the instrument to scale. At the commune and district levels – initially in project target districts and then throughout the two provinces – the project will facilitate the integration of commodity-based value chain development (subcomponent i) and climate change-adaptation plans (subcomponent ii) through a participatory process. This process will engage relevant entities at the village, commune and district levels and include all public funding sources, including CSSP and NTP-NRD funds. Women’s representation in MOP-SEDP planning will be prioritized.
- Component 2: A greener agricultural future. This component will support the Government’s ambitious green growth agenda by promoting climate change-adaptation technologies that also provide mitigation benefits. It has two subcomponents:
  - (i) Forest land and forest allocation. This subcomponent will support the equitable ownership and efficient use of productive forest resources in all B c K n target communes through certification, rehabilitation and the issuing of forest land and use rights, directly contributing to carbon sequestration. The project will facilitate the transfer of land and use rights certificates for 17,000 hectares of forest land to poor households. Certificates will be issued jointly to both wife and husband.
  - (ii) Common interest groups (CIGs) for climate adaptation. This subcomponent will support the establishment or strengthening of approximately 1,900 CIGs to implement profitable climate change-adaptation technologies and practices within a value chain framework, with co-benefits for climate change mitigation. In this context, forage production will be integrated into farming systems, with co-benefits for soil fertility and stability. A competitive grant programme for CIGs whose membership comprises at least 40 per cent women will support climate change-adaptation technologies such as afforestation, irrigation management, climate-resistant crop varieties, system-of-rice-intensification rice, forage production, minimum tillage and organic agriculture.
- Component 3: Profitable farms linked to finance and markets. This third component aims to ensure increased public and private investment in sustainable, profitable commodity production and value addition. It comprises three subcomponents:
  - (i) Community infrastructure. Public infrastructure investment grants will be available for investments by communes providing public benefits essential to targeted commodity-chain development and/or climate change or disaster preparedness. This activity will be integrated into the NTP-NRD agriculture infrastructure investment process, which will be funded by a government contribution. In this context, a vocational training programme targeting young people will be supported with a view to generating employment.
  - (ii) Rural financial services. Newly established Women’s Development Funds (WDFs) in B c K n and Cao B ng will be supported as an effective means of improving financial inclusion in the rural communes of the project area. This will include capacity-building for the WDFs, the establishment of new women’s savings and credit groups, and seed capital for lending operations. Support will also be provided to

transform WDFs into fully sustainable microfinance institutions (MFIs) at project end in accordance with State Bank regulations.

- (iii) Agribusiness Promotion Investment Fund (APIF). By establishing such a fund, the project will provide cofinancing to catalyse approximately 25 private sector agro-enterprise investments that improve enterprise competitiveness and linkages to smallholder farmers, thereby generating incremental markets for raw materials, value addition and employment. Fund co-investments will be awarded on a competitive basis, for equipment, transportation and marketing, environmental management, staff training and technical advisory services to farmers.

### III. Project implementation

#### A. Approach

- 15. The CSSP will be implemented over the six-year period from 2017 to 2023. The project will adopt similar implementation arrangements to those used successfully in other IFAD projects but with a greater role played by the responsible provincial departments, supported by the PPCOs. In addition, great emphasis will be placed on the decentralization of resources to districts and communes and on private sector involvement.

#### B. Organizational framework

- 16. CSSP will be implemented through the PPCs of B c K n and Cao B ng, which will establish PPCOs to coordinate project implementation in their respective provinces and steering committees to assist the PPCs in guiding government agencies, major nationwide organizations, the private sector and communities at all levels to achieve the project objectives. Inter-provincial PPCO meetings will be held twice per year to foster cooperation in such areas as climate change-adaptation policy, the identification of shared technical assistance, inter-provincial value chain planning, monitoring and evaluation (M&E), and learning and knowledge management.
- 17. Planning, monitoring and evaluation. The M&E system will monitor performance and assess the impact of activities. Monitoring will focus on activities/inputs, outputs, outcomes, performance and risks, while evaluation will assess the relevance, efficiency, effectiveness and impact on poverty reduction, business growth, environment, empowerment, sustainability, lessons learned and knowledge uptake. Both provinces have relevant M&E experience from previous projects. The M&E system will cover the operational and financial aspects of the project alike. The annual workplan and budget will be the key planning document for the project and will be harmonized with the SEDP cycle.
- 18. Learning and knowledge management. This will comprise two approaches: (i) knowledge management within the project will support learning among its components; and (ii) support for a broader set of knowledge management activities aimed at informing government decision-makers and influencing policy. Regarding policy development, the experience of a single province, while important, is unlikely to influence national policy relating to the MOP-SEDP or APIF. However, the cumulative knowledge from relevant IFAD project experiences in Viet Nam is substantial and will continue to grow. In this context, each PPCO will produce an annual knowledge resource addressing the key areas of the IFAD country programme – namely, private sector investment in upland areas, the response of poor households to agricultural business opportunities, the implementation of the MOP-SEDP process and the evolution of WDFs into MFIs – to feed into national policy dialogue.

## C. Financial management, procurement and governance

19. Financial management. The PPCOs will be responsible and accountable to the Government of Viet Nam and IFAD for the proper use of funds, in line with the respective legal agreements, subsidiary financing agreements for financial institutions and contractual arrangements for service providers. The project financial management arrangements will ensure that funds are used for the intended purpose in an efficient and cost-effective manner through internal controls and capacity-building at all levels. The existing computerized accounting system will be used for bookkeeping and reporting. The accounting systems will provide detailed financial statements of the operations, resources and expenditures related to the project for each fiscal year, prepared in accordance with standards and procedures acceptable to IFAD, and deliver such financial statements to IFAD in a timely manner. The IFAD financial management assessment rated the fiduciary risk as medium. However, both provinces have extensive experience in managing externally financed projects, including IFAD-financed projects, with good outcomes and accountability frameworks in general.
20. Flow of funds. IFAD will disburse funds in accordance with the terms and conditions of the financing agreement. Project funds will flow from IFAD via three designated accounts: two for loan funds and one for grant funds, the latter operated by the Ministry of Finance in accordance with imprest fund arrangements.
21. Procurement. The procurement of goods, works and consulting services financed by IFAD will be carried out in compliance with IFAD Project Procurement Guidelines. National procurement procedures, processes and regulations will be applied to the extent that they are consistent with the IFAD Guidelines.
22. Internal control and external audit. Internal control systems at the PPCO level will be established. An external audit will be carried out, in compliance with the International Standards on Auditing and the IFAD Guidelines on Project Audits, of the consolidated financial statements of both provinces covering loan and grant funds. Independent external auditors will be appointed in a timely way. The audited financial statements and audit reports will be submitted to IFAD within the six months following the close of each fiscal year.
23. Governance. All major cofinancing allocations will be endorsed by the project steering committee, approved by the PPC and, above certain thresholds, subject to no objection from IFAD. Cofinancing at the commune 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 in project financial monitoring was strengthened by the recruitment of an additional staff member in mid-2013, improving the capacity for periodic oversight and support for PPCOs, including spot checks and strong supervision of audit processes.

## D. Supervision

24. The project will be directly supervised by IFAD through the country office in accordance with the existing arrangements in Viet Nam.

## IV. Project costs, financing, and benefits

### A. Project costs

25. The total project cost is estimated at US\$74.3 million. Indicative component costs are detailed in table 1. Indicative project costs by expenditure category and financier are provided in table 2.

Table 1  
**Indicative project costs by component and financier**  
 (Thousands of United States dollars)

Component	IFAD loan		IFAD grant		Beneficiaries		Borrower/ counterpart		Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount
1. Province-based participatory planning institutionalized	2,193.8	27.2	-	-	-	-	5857.7	72.8	8,051.5
1.1 Strategic investment plan	108.0	77.0	-	-	-	-	32.2	23	140.2
1.2 Climate change adaptation plan	944.6	75.9	-	-	-	-	299.9	24.0	1,244.5
1.3 Climate-informed, market-oriented socio-economic plans	1,141.2	17.1	-	-	-	-	5525.7	82.8	6,666.8
2. A greener agricultural future	8,654.7	62.7	-	-	3,557.3	25.8	1,582.8	11.4	13,794.9
2.1 Forest land and forest allocation	1,626.2	63.8	-	-	232.3	9.1	691.1	27.1	2,549.7
2.2 CIGs for climate adaptation	7,028.5	62.5	-	-	3,325.0	29.6	891.7	7.9	11,245.1
3. Profitable farms linked to finance and markets	29,933.3	70.0	-	-	7,183.7	16.8	5,670.2	13.3	42,787.2
3.1 Community infrastructure	21,330.8	69.2	-	-	3,984.1	12.1	5,513.5	17.9	30,828.4
3.2 Rural financial services	4,557.8	96.7	-	-	-	-	156.6	3.3	4,714.4
3.3 Agriculture promotion investment fund	4,044.7	55.8	-	-	3,199.6	44.2	-	-	7,244.3
4. Programme management	7,718.3	18.7	-	-	-	-	7,486.5	81.3	9,204.8
5. NTP-NRD National Coordination Office Grant	-	-	500.0	100.0	-	-	-	-	500.0
<b>Total</b>	<b>42,500.0</b>	<b>57.2</b>	<b>500.0</b>	<b>0.7</b>	<b>10,741.0</b>	<b>14.4</b>	<b>20,597.2</b>	<b>27.8</b>	<b>74,338.3</b>

## B. Project financing

26. The project will be financed by: (i) an IFAD loan of approximately US\$42.5 million (57.2 per cent of total project); (ii) an IFAD grant of approximately US\$0.5 million (0.7 per cent); (iii) a government contribution of approximately US\$20.6 million (27.8 per cent); and (iv) a beneficiary contribution of approximately US\$10.7 million (14.4 per cent). Reimbursement of eligible expenditures incurred after approval but before entry into force will be permitted up to a limit of US\$300 000 for each province.

Table 2  
**Indicative project costs by expenditure category and financier**  
 (Thousands of United States dollars)

Expenditure category	IFAD loan		IFAD grant		Beneficiaries		Borrower/ counterpart		Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount
1. Civil works	14.5	90.0	-	-	-	-	1.6	10.0	16.2
2. Equipment and materials	1,227.0	90.0	-	-	-	-	136.3	10.0	1,363.3
3. Vehicles	94.2	50.0	-	-	-	-	94.2	50.0	188.3
4. Consultancies	2,675.9	33.3	500.0	6.2	-	-	4,862.0	60.5	8,041.5
5. Training	1,765.1	46.7	-	-	-	-	2,015.9	53.3	3,781.0
6. Grants	32,969.6	66.2	-	-	10,741.0	21.6	6,096.2	12.2	49,906.9
7. Credit	3,750.0	100.0	-	-	-	-	-	-	3,750.0
5. Salaries and allowances	-	-	-	-	-	-	3,806.8	100.0	3,806.8
6. Operating costs	-	-	-	-	-	-	3,584.2	100.0	3,584.2
<b>Total</b>	<b>42,500.0</b>	<b>57.2</b>	<b>500.0</b>	<b>0.7</b>	<b>10,741.0</b>	<b>14.4</b>	<b>20,597.2</b>	<b>27.8</b>	<b>74,338.3</b>

### C. Summary benefit and economic analysis

27. The economic analysis determined CSSP to be robust, with an economic internal rate of return (EIRR) of 14.8 per cent and a net present value discounted at nine per cent of approximately US\$27.0 million. An increase in project costs by 10 per cent would reduce the EIRR to 13.2 per cent, while a decrease in overall project benefits by 20 per cent would result in an EIRR of 11.3 per cent. Considering the possibility of a combination of a 20 per cent reduction in incremental benefits with a two-year delay in benefits, the EIRR would be reduced to 8.0 per cent. The switching values indicate that the project would remain economically viable if benefits decreased by 31 per cent or project costs increased by 46 per cent.
28. The main benefits from CSSP are: (i) increased crop, forest and livestock productivity and production that is more resilient to the impacts of climate change as well as improved access to better and more affordable inputs and their application; (ii) increased proportion of farm produce successfully marketed; (iii) reduced losses during production and processing; (iv) enhanced value addition along value chains and improved product quality; (v) enhanced access to longer-term financial services and cofinancing for productive investments; (vi) increased employment; and (vii) increased government tax revenues.
29. The project is expected to provide significant direct benefits to at least 135,000 people or 30,000 poor or near-poor households, each expected to grow its assets by at least 20 per cent. This will be achieved through a combination of capacity-building, technology transfer and access to finance, supported by upgraded community infrastructure and cofinancing of innovative investments in their farming value chain operations.

### D. Sustainability

30. The project is focused on enhancing private sector activity and competitiveness in the specific subsectors targeted for investment. The most important determinant of the sustainability of such investments, and thereby of their expected benefits, is their continued profitability. The approach adopted will provide strong grounds for the expectation that a large majority of investments will endure. The main tools to enhance prospects for private business sustainability include: (i) enhanced capacity of government staff, farmers and private rural enterprise actors to analyse and prioritize investment choices; (ii) rigorous scrutiny of business proposals and collaborating financial institutions; (iii) the commitment of a substantial proportion of investment from the client's own financial resources; (iv) complementary public investment in infrastructure to improve business conditions and reduce costs; and (v) a focused investment approach within the communes provided by the MOP-SEDP process.

### E. Risk identification and mitigation

31. The main risk to the overall project objective relates to external macroeconomic shocks. Such risks are ever present in a relatively open economy such as that of Viet Nam, particularly when a high proportion of income is derived from export revenue. At the national level, sound macroeconomic policies, including market-determined exchange rates, are the main means to mitigate such risk. The main mitigation measures at the project and enterprise levels are the emphasis on sound project financial analysis, with emphasis on quality, high productivity and low cost-per-unit output value. A major socio-economic risk relates to climatic disaster. The project will advance the climate change-adaptation agenda and ensure that all project-financed interventions are adapted to the changing climatic conditions. The relatively weak private business environments in both provinces pose a further significant risk. Both PPCs have agreed to work with CSSP to create a more favourable business environment, including by benchmarking their provincial performance against provinces with high competitiveness indices.

## V. Corporate considerations

### A. Compliance with IFAD policies

32. The CSSP takes into account key IFAD policies and strategies relating to targeting, gender, land, ethnic peoples and climate change contributing to the overall objectives of the current Strategic Framework 2016-2025 and in particular to: (i) a natural resource and economic asset base for poor rural women and men that is more resilient to climate change, environmental degradation and market transformation; and (ii) access for poor rural women and men to services to reduce poverty, raise income and build resilience in a changing environment. Most activities related to environmental impact fall under category B.

### B. Alignment and harmonization

33. As noted above, the concept note for the CSSP was included in the COSOP project pipeline and, as such, is aligned with the Government's development priorities. The programme underpins the NTP-NRD by supporting the development of market options for the poor segments of the rural population, creating the necessary change of mindset at the household level and building capacity to plan market activities at the commune level.

### C. Innovations and scaling up

34. The CSSP approach taken will consolidate and scale up the successes of past interventions, within the strategic framework of the NTP-NRD, for which a substantial increase in central government funding is anticipated. Innovations related to climate-adapted and market-oriented participatory planning and poverty reduction have been successfully piloted in various IFAD-supported projects in Viet Nam, including in B c K n and Cao B ng. While the commitment of project provinces to these approaches is significant – particularly for the roll-out of a provincial MOP-SEDP process – a more rigorous and better market-oriented approach is required for the effective stimulation and sustainable financing of private sector investment in agricultural production and value addition along profitable value chains. IFAD is supporting the roll-out of WDFs in 11 provinces, with support for these activities under CCSP a part of this scaling-up effort.

### D. Policy engagement

35. Along with the World Bank, IFAD has been requested by the Ministry of Agriculture and Rural Development to assist in an assessment of NTP-NRD phase one and provide recommendations for phase two, for which the National Assembly has allocated approximately US\$3 billion. The final recommended framework was submitted to the Government mid-2016. This initiative, along with the grant under CSSP, provides ample opportunity to scale up IFAD's collective experiences and approaches to the national level.

## VI. Legal instruments and authority

36. 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. A copy of the negotiated financing agreement is attached.
37. The Socialist Republic of Viet Nam is empowered under its laws to receive financing from IFAD.
38. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

## VII. Recommendation

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

RESOLVED: that the Fund shall provide a loan on blend terms to the Socialist Republic of Viet Nam in an amount equivalent to forty two million five hundred thousand US dollars (US\$ 42.5 million), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

FURTHER RESOLVED: that the Fund shall provide a grant to the Socialist Republic of Viet Nam in an amount equivalent to five hundred thousand US dollars (US\$0.5 million), 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: "Cao Bang Bac Kan: Commercial Smallholder Support Project (CSSP)"

(Negotiations concluded on 25 October 2016)

IFAD Loan Number: \_\_\_\_\_

IFAD Grant Number: \_\_\_\_\_

Project Title (English): Cao Bang Bac Kan: Commercial Smallholder Support Project (CSSP) (the "Project")

Project Title (Vietnamese): Du an Ho tro kinh doanh cho nong ho tinh Cao Bang va Bac Kan (CSSP).

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")

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 may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Loan and Grant to the Borrower/Recipient (the "Financing"), which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

### Section B

1. (a) The amount of the Loan is forty two million two hundred and fifty thousand USD Dollars (USD 42 500 000).  
(b) The amount of the Grant is five hundred thousand US Dollars (USD 500 000).
2. The Loan shall be subject to interest on the principal amount outstanding at a fixed rate of 1.25 per cent per annum and shall have a maturity period of twenty five (25) years, including a grace period of five (5) years, and in addition a service charge of 0.75 per cent per annum, starting from the date of approval by the Executive Board.
3. The Loan Service Payment Currency shall be United States dollar (USD).



4. The first day of the applicable Fiscal Year shall be 1 January.
5. The Borrower shall repay the outstanding principal amount of the Loan in 40 equal semi-annual instalments payable on each 15 June and 15 December commencing on 15 December 2021 and ending on 15 June 2041. Interest and service charges shall also be payable on each 15 June and 15 December.
6. There shall be two Designated Accounts (DA) denominated in USD and operated by the Cao Bang and Bac Kan Provincial Project Coordination Offices (PCOs) in a bank nominated by the Borrower for receiving Loan proceeds withdrawn in advance for each Province of the Project Area. There shall be one DA denominated in USD and operated by the Ministry of Agriculture and Rural Development (MARD) in a bank nominated by the Borrower for receiving Grant proceeds withdrawn in advance. Project Accounts shall be opened and maintained by implementing agencies and participating districts in accordance with the Borrower's regulation where project activities will be implemented in local currency at the Provincial and district Treasury of the Project Areas to receive and maintain funds transferred from the Designated Accounts.
7. The Borrower/Recipient shall cover all taxes and duties incurred in Vietnam on all Project expenditures. In addition, the Borrower/Recipient shall provide counterpart financing for the Project in cash or in kind an amount of approximately USD 20.6 million to cover inter alia, Project staff salary costs, taxes and other recurrent expenditures. The counterpart funds shall be held in segregated accounts. The beneficiaries shall provide co-financing contribution in cash or in kind equivalent to approximately USD 10.7 million.

#### Section C

1. The Borrower/Recipient shall act through the Provincial People's Committees (PPC) of the Cao Bang and Bac Kan provinces and MARD who shall be responsible for the execution of the Project.
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 (DDI), the Department of Agriculture and Rural Development (DARD) and the Department of Natural Resource and Environment (DoNRE) of the PPCs.
  - (b) The Women's Unions (WU) of the Cao Bang and Bac Kan Provinces and 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.
  - (c) The National Coordination Office (NCO) of the National Target Programme for New Rural Development (NTP-NRD) of MARD for implementation of the Grant.
3. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

#### Section D

1. 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 14 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. Retroactive Financing. Withdrawals not exceeding in the aggregate the equivalent of USD 300 000 for each province may be made from the Loan Account in respect of expenditures for Categories I (Equipment and material); II A (Consultancies-Loan) and III (Training) of the Allocation Table set forth in Paragraph 1 of Schedule 2 incurred before the Effective Date, but after 15 December, 2016. Such expenditures shall be considered Eligible Expenditures for all purposes of this Agreement, if otherwise eligible.
3. The following are designated as additional general conditions precedent to withdrawal:
  - (a) The Designated Accounts (DA) shall have been duly opened;
  - (b) The PPCOs have been duly established;
  - (c) The draft Project Implementation Manual (PIM) has been prepared by the PPCOs and the Fund has given its non-objection;
  - (d) The Project Steering Committees (PSC) have been duly established in both provinces;
  - (e) The Project Directors and Chief Financial Officers/Chief Accountants of the PPCOs have been duly appointed; and
  - (f) A computerized Accounting System has been installed for the Project by the PPCO.
4. The Agreement is subject to ratification by the Borrower/Recipient.
5. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

Minister of Finance  
Ministry of Finance  
of the Socialist Republic of Viet Nam  
Socialist Republic of Viet Nam

Copies to:

Provincial People's Committees of  
Cao Bang and Bac Kan Provinces  
Socialist Republic of Viet Nam

Ministry of Agriculture and Rural Development  
of the Socialist Republic of Viet Nam  
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 \_\_\_\_\_, has been prepared in the English language in four original copies of equivalent legal status, one for the Fund and three 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 target groups shall include: (a) rural poor and near poor households with land and labour, including household enterprises; (b) unskilled employed rural people; (c) rural people lacking production land but having business acumen and desire; and (d) key farmers who have the skills to promote commercial agricultural production. Women and female-headed and ethnic minority households shall be prioritised.

2. Goal. The goal of the Project is to contribute to sustainable poverty reduction in Cao Bang and Bac Kan provinces.

3. Objective. The development objective is to sustainably improve income and reduced climate vulnerability of poor and near-poor farm households in targeted project communes.

4. Components. The Project shall consist of the four following Components.

4.1. Component 1. Provincial Participatory Planning Institutionalised. The objective of this component is to ensure that provincial socio-economic development planning is legislated, holistic, participatory, climate-adapted and market-oriented. It has three subcomponents, which, collectively, underpin the market-oriented SEDP planning process.

Sub-component 1.1: Strategic investment plans.

During the first year of the project, this subcomponent shall support the Provincial Project Coordination Offices underpinned by international technical assistance, to conduct financial and economic analysis of key commodity and associated value chains in both provinces to be incorporated in Provincial, district and communal MOP-SEDPs.

Sub-component 1.2: Climate change adaptation planning.

This sub component shall support the: (a) updating the Provincial climate change (CC) action plans; (b) awareness raising of climate change risks at commune, district and provincial levels to improve resilience and (c) the building of capacities for climate change adaptation (CCA) integration into the MOP-SEDP process.

Sub-component 1.3: Dissemination of climate-informed market-oriented socio-economic development plans.

This sub-component shall support the actual roll out of the climate adapted MO-SEDP through: (a) strengthened public sector market economy skills; and (b) focused support for the actual scaling of the instrument. At commune and district level, initially in Project districts and then across the provinces, the Project shall facilitate the integration of commodity-based value chain (VC) development, sub-component (1.1) and CCA plans sub-component (1.2) through a participatory process. This process shall engage relevant entities at the village, commune and district levels and in the course of project implementation be inclusive of all public funding sources, including CSSP funds and NTP-NRD funds. Women's representation in Market-oriented participatory socio-economic development planning (MOP-SEDP) planning shall be mandated.

4.2. Component 2. A greener agriculture future. This component shall support the Government's "green growth" action plan in Cao Bang and Bac Kan provinces for the implementation of national green growth strategy through the promotion of

climate change adaption technologies which simultaneously provide mitigation benefits. It has two subcomponents:

Sub-component 2.1: Forest land and forest allocation

In Bac Kan province this subcomponent shall support the equitable ownership and efficient use of production forest in all communes in Bac Kan Project districts through the issuing forest land and forest use rights, certification and rehabilitation that directly contribute to carbon sequestration. The project will facilitate the transfer of land and use rights certificates for about 17,000 ha of forests to poor households. Certificates will be issued jointly to both wife and husband.

Sub-component 2.2: Common Interest Groups (CIGs) for climate adaptation.

This subcomponent shall support the establishment or the strengthening around 1900 CIGs to implement profitable climate change adaptation technologies and practices within a value chain framework, with co-benefits for climate change mitigation. Within this context forage production shall be integrated into farming systems, with co-benefits for soil fertility and stability. A competitive grant programme for CIGs with a requirement of at least 40 percent female membership will underpin the adaption CCA technologies such as a forestation, irrigation management including SRI rice, climate-resistant crop varieties forage production, and organic agriculture.

- 4.3. Component 3. Profitable farms and rural households linked to finance and markets. This component shall ensure increased public and private investment in sustainable, profitable commodity production and value addition. It comprises three subcomponents:

Sub-component 3.1: Community infrastructure.

Public infrastructure investment grants shall be made available for investments by communes that provide public benefits essential to targeted commodity chain development and/or climate change or disaster proofing. This activity shall be integrated into the NTP-NRD agriculture infrastructure investment process, the funding for which will be a government contribution to the project. In this context a youth targeted vocational training programme will be supported for employment generation.

Sub-component 3.2: Rural financial services.

To effectively contribute to increased financial inclusion in the rural communes of the project area, support shall be provided for newly established Women's Development Funds (WDFs) in both Cao Bang and Bac Kan. This shall include capacity building for the WDFs, the establishment of new Women savings and credit groups (SCGs) and seed capital for lending operations. Support shall also be provided for the preparation of WDFs to become fully sustainable microfinance institutions in accordance with State Bank regulations.

Sub-component 3.3 Agribusiness Promotion Investment Fund (APIF).

Through the establishment of an Agribusiness Investment Fund (APIF) the project shall catalyze private sector agro-enterprise investments in both provinces by co-financing investments that improve enterprise competitiveness and linkages to smallholder farmers, thereby generating incremental markets for raw materials, value addition and employment. Co-investments shall be awarded on a competitive basis for inter alia equipment, transportation and marketing, environmental management, staff training and technical advisory services to farmers. The financing to companies from APIF from the IFAD loan shall comply with the Borrower/Recipient's regulations.

#### 4.4. Component 4. Project Management

The Project shall support the establishment of PPCOs as well as the organization and management structure as outlined in Section II below.

#### 4.5. Grant NTP-NRD 2

NTP-NRD NCO. A grant shall be provided to the NCO for the NTP-NRD in the MARD. The grant shall support (i) the piloting of the integration of rural value chains into the NTP-NRD leading; (ii) the preparation of guidelines for NTP-NRD phase 2, including, inter alia, participatory planning result-based M&E and PPP financing; (iii) building capacity within the NCO; and (iv) piloting the implementation of NTP-NRD2 funded initiatives.

## II. Implementation Arrangements

### A. Organization and Management

#### 5. Lead Project Agencies.

5.1. The Borrower/Recipient shall act through the PPCs of the Cao Bang and Bac Kan provinces which shall be responsible for the execution of the loan.

5.2. The Borrower/Recipient shall act through the MARD for the execution of the grant. The grant shall be implemented by the NTP-NRD NCO in the MARD.

#### 6. Project Steering Committees (PSCs).

6.1. Establishment and composition. A PSC shall be established in each province of Cao Bang and Bac Kan by the PPCs. The PSCs shall include Directors or Vice-Directors of concerned line-departments and chairpersons of mass organizations and representatives of provincial enterprise associations. It shall be led by the Chairperson or Vice-chairperson of the PPCs.

6.2 Responsibilities. The PSCs shall be responsible for the strategic management of the Project, the appointment of the Project Directors (PD) and Deputy Directors, the approval of the PIMs and annual work plan and budget as well as other decisions related to the Project coordination, orientation and mobilization of resources. The PSCs shall meet at least twice a year and as often as required.

#### 7. Provincial Coordination Offices (PPCOs).

7.1. Establishment. PPCOs shall be established in the provinces of Cao Bang and Bac Kan by the PPCs. The PPCOs shall assist the PSCs in the coordination of the provincial agencies and in the management of financial resources. The PPCOs shall report directly to the PSCs and act as an advisory body to the PPCs and act as secretariat of the PSCs.

7.2. Composition. The PPCOs shall include a PD who shall have the authority to sign contracts and other agreements and a Chief Financial Officer/Chief accountant. The Borrower/Recipient and the Fund shall agree on other key positions of the PCO. Qualified staff shall be selected according to the Borrower/Recipient'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.

7.3. Responsibilities. The PPCOs shall be responsible for the following tasks:

- (a) ensure coherence of the Project approaches and strategies as well as the coordination and synergy amongst Project parties;
- (b) mobilize resources;
- (c) the procurement and contracting for Project activities;

- (d) financial reporting and preparation of annual work plans and budget inclusive of the procurement plan;
- (e) preparation of the Project Implementation Manual (PIM);
- (f) M&E system and other functions of the operational and financial management of the Project;
- (g) management of APIF Facility in accordance with the criteria defined in the PIM;
- (h) approval of the community infrastructure proposals in accordance with the criteria defined in the PIM, and
- (i) knowledge-sharing and policy development interventions in collaboration with co-implementing agencies.

8. Project management at District and Commune levels. At the District level, the District People's Committee will be responsible for coordination of the Project activities and integration with the organization structures and mandates of the line agencies and mass organizations. At Commune level the Commune's People Committee shall be accountable for the Project implementation.

9. Inter Provincial Coordination. Inter provincial meetings between the PPCOs shall be held each semester to enable coordination and cooperation on 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.

#### B. Implementation of Components.

##### 10. Component 1. Provincial Participatory Planning Institutionalised.

10.1. The activities in relation to planning for sustainable market-led development shall be implemented by the respective line agencies, DPI and DARD, DONRE supported by the PPCOs, private or public academic/training institutions and national and international expertise where necessary. Technical experts and service providers shall be contracted in accordance with this Agreement. The PPCOs shall implement the knowledge and dissemination activities. In all cases the PPCOs shall enter into a Memorandum of Understanding with the respective line agencies outlining roles, responsibilities and deliverables prior to implementation.

10.2. Market-oriented socio-economic development planning activities shall be implemented at village, commune and district levels by respectively, Village Development Boards, Commune People's Committee and District Management Boards as well as private enterprises.

11. Component 2. A greener agriculture future. This component shall be implemented by DARD, DONRE and district authorities supported by the PPCO as far forest land allocation in Bac Kan. The establishment of common interest groups eligible for co-financing will be implemented by Commune and District level entities adequately supported the Farmer and Women Unions and PPCOs in accordance with procedures outlined in the PIM. The CIG establishment and forage activities shall be the responsibility DARD and PPCOs.

##### 12. Component 3. Profitable farms linked to finance and markets.

12.1. Project Public and collective good infrastructure investment schemes shall, with technical assistance support where required, be identified and prioritized by Village Development Boards /communes and incorporated into the medium-term commune MOP-SEDP and verified by the district line agencies. In accordance with the modalities described in the PIM, the PPCOs shall approve each proposal including the procurement method.

- 12.2. The implementation responsibility for: (a) the establishment of new savings and credit groups; (b) the transformation the WDF into registered MFIs, and (c) the associated institutional strengthening shall rest with the Women Unions with the support of technical assistance under the overall direction of the PPCOs. The PPCOs shall enter into a memorandum of understanding with the Women Union at Province level in the form specified in the PIM. The memorandum of understanding shall specify, inter alia, the channelling of Project funds, the terms and conditions applicable to the financing operations.
- 12.3. The PPCOs shall implement the APIF competitive funding for companies or cooperative societies 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 PPC. Initially all Investments shall be subject to no-objection by the Fund. The PPCO shall enter into a co-financing agreement with each eligible beneficiary in accordance with guidelines contained in the PIM. Training activities foreseen under the APIF component shall be implemented by technical experts and service providers contracted in accordance with this Agreement.

### C. Additional Implementation Arrangements

13. Project Reviews. The Borrower/Recipient, the PPCs, Government Aid Coordination Agencies (GACA) and the Fund shall jointly conduct the following reviews: 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.

14. Project Implementation Manual. The Borrower/Recipient shall require the PPCOs to prepare a consolidated draft Project Implementation Manual (PIM) and submit to the Fund for its comments and no objection. The PIM may be amended or otherwise modified from time to time only with the prior consent of the Fund. The PPCs shall forward the draft PIM to the Fund for comments and no-objection. The draft PIM shall include, among other things:

- (a) Terms of reference and implementation responsibilities of Project staff, consultants and other service providers;
- (b) A model memorandum of understanding to be concluded with each project party such as the Women Union and line agencies, 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;
- (c) The eligibility and selection criteria for the proposals to be financed under the infrastructure investment development and a competitive small grants manual which shall form an integral part of the PIM;
- (d) The eligibility and selection criteria for the establishment of common interest groups;
- (e) The eligibility and selection criteria for access by the Women Unions to project financing;
- (f) The eligibility and selection criteria as well as the operational modalities of the APIF facility;
- (g) Project operational, financial and procurement procedures, an accounting software for bookkeeping and reporting, participatory planning, implementation and monitoring procedures; and
- (h) M&E system and procedures.



## Schedule 2

## Allocation Table

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

Category	Loan Amount Allocated (expressed in USD) Cao Bang	Loan Amount Allocated (expressed in USD) Bac Kan	Grant Amount Allocated (expressed in USD)	% of Eligible Expenditures to be Financed, net of taxes, Government and Beneficiary' contribution
I. Equipment and materials	610 000	590 000		100%
IIA. Consultancies-Loan	1 270 000	1 140 000		100%
IIB. Consultancies-Grant	-	-	500 000	100%
III. Training	750 000	840 000		100%
IV. Grants & Subsidies	14 470 000	15 200 000		100%
V. Credit, Guarantee Funds	2 020 000	1 350 000		100%
Unallocated	2 130 000	2 130 000		
<b>TOTAL</b>	<b>21 250 000</b>	<b>21 250 000</b>	<b>500 000</b>	

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

“Equipment & Materials” under Category II, includes eligible expenditures incurred related to: office rehabilitation, equipment/material and M&E for social Fund offices at district level under the sub-component 3.2.

“Consultancies-Loan” means eligible expenditures incurred related to technical assistance and research and studies.

“Consultancies-Grant” means eligible expenditures incurred related to surveys, studies management, coordination and support for NTP-NRD 2 implemented by Ministry of Agriculture and Rural Development.

“Training” means eligible expenditure incurred related to capacity building for implementing agencies (Provincial implementing agencies, districts, communes, Women Development Funds).

“Grant & Subsidies” means eligible expenditure incurred related to (i) civil works about USD 10.6 million for each province; (ii) CIG co-financing about USD 3.4 million for each province (iii) APIF about USD 1.5 million for each province and (iv) about USD1.45 million is allocated for forest land allocation in Bac Kan province.

“Credit Guarantee Funds” means on-lending through Women Development Funds.

# Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<i>Goal:</i> Contribute to sustainable poverty reduction in B c K n and Cao B ng	<ul style="list-style-type: none"> <li>by Project-end, 25% reduction in the multi-dimensional poverty rate for 16,000 HHs considered poor and near poor in Project area.</li> </ul>	0	10%	20%	Baseline, periodic and impact evaluation surveys; DoLISA statistics	Project start, mid-term and end-Project	Project Coordination Office (PPCO)	
<i>Development Objective:</i> Sustainably improved income and reduced climate vulnerability of poor and near-poor farm households in targeted Project communes.	<ul style="list-style-type: none"> <li>20% improvement in household assets ownership index above non-Project provincial commune average by Project-end for at least 30,000 HHs in Project area.</li> </ul>	0			Baseline, periodic and impact evaluation surveys;	Project start, mid-term and end-Project	PPCO	<ul style="list-style-type: none"> <li>Multi-dimensional poverty approach is introduced by MoLISA, increasing accuracy of poverty indicator</li> <li>Socio-economic conditions remain reasonably stable in the project area and climatic disasters are manageable</li> <li>Macro-economy continues to improve.</li> <li>Business regulatory system improves</li> </ul>
	<ul style="list-style-type: none"> <li>At least 14,000 poor smallholder HHs whose climate resilience score<sup>1</sup> has been increased by 30% (gender and ethnic minority disaggregated).<sup>2</sup></li> </ul>	0	10%	25%	Provincial statistics Same as above	Same as above	DARD	
<i>Outcome 1 Province-based Participatory Planning Institutionalised</i> <i>Legislated provincial socio-economic and commodity development planning is holistic, participatory, climate adapted and market oriented.</i>	<ul style="list-style-type: none"> <li>At least 80% of provincial communes and districts prepare medium-term climate-adapted MOP-SEDPs</li> </ul>	0	Partial	Yes	Government decision Project M&E System	start, mid-term and end-Project	MoNRE with DARD and PPC	<ul style="list-style-type: none"> <li>Provincial governments committed to participatory market-led socio-economic development planning;</li> <li>Provincial governments committed to improving competitiveness index</li> <li>CC planning is strengthened and prioritized;</li> <li>Gov. issues enabling decrees for integration of CC and market orientation into SEDP</li> </ul>
<i>Output 1 Strategic Investment Plan</i>	<ul style="list-style-type: none"> <li>At least 10 new commodity-based VC Strategic Investment Plans prepared;</li> </ul>	0	10	10	Project M&E records	Annual	DPI with input by DARD and DoIT	<ul style="list-style-type: none"> <li>Adequate skills available from local /national service providers.</li> </ul>
<i>Output 2 Provincial climate change action plan</i>	<ul style="list-style-type: none"> <li>National peer reviewed CC adaptation communication and dissemination Project for CCA and MOP-SEDP prepared.</li> </ul>	0	Yes	Yes	Provincial records Project M&E records	Project start, mid-term and end-Project	PCCAB and PPCO	<ul style="list-style-type: none"> <li>VDBs, CPCs and DPCs can acquire &amp; retain appropriate skills for effective climate adapted MOP-SEDP procedures.</li> <li>Ethnic people enabled to participate;</li> <li>Inter-institutional coop. and articulation is</li> </ul>

<sup>1</sup> a resilient household is anticipated to exhibit, *inter alia*, the following characteristics: i) diversified livelihood and income streams; ii) improved natural resource and risk management based on better access to knowledge and adoption of CCA land and water conservation practices; iii) membership of social networks such as common interest groups (CIGs) and saving and credit groups (SCGs); iv) ability to access credit; v) protection from some climatic hazards as a result of small-scale community infrastructure; and vi) direct engagement in village and commune level planning, and influence on provincial financial allocations. These criteria will, amongst others, be developed as a score card to measure change. Using these resilience characteristics, and drawing on emerging procedures for measuring household resilience in Viet Nam and the SE Asia region, the Project will develop a weighted scorecard to measure changes in household resilience.

<sup>2</sup> Indicator from ASAP

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<i>Output 3</i> Climate-adapted, market-oriented and results-based SEDPs	<ul style="list-style-type: none"> <li>Project provinces have the legislative base, guidelines, tools and staff capacity for district and commune MOP-SEDP implementation;</li> </ul>	0	Yes	Yes	Commune, district and provincial records.	Project start, mid-term and end-Project	DPI with input by DoNRE	<ul style="list-style-type: none"> <li>MOP-SEDPs are prepared and implemented at field level;</li> <li>Project financing is disbursed in time to support field impl.;</li> <li>Productivity improvements are in areas with continued growth in market demand.</li> <li>Smallholders receive fair terms of trade for their products;</li> <li>Farmers are unwilling to adopt recommended methods and technologies;</li> <li>Technical service support system is strengthened and responds to the grassroots level needs;</li> <li>Provincial gov. integrate commune level NTP funding into the MOP-SEDP process</li> <li>Financial service providers remain interested to invest in Project targeted commodity chains;</li> <li>Gov. completes the regulatory framework for the implementation of MFI legislation</li> </ul>
<i>Outcome 2</i> <i>A greener agriculture future</i> <i>Climate change adaptation technology provide mitigation co-benefits</i>	<ul style="list-style-type: none"> <li>At least 20,000 farm HHs (66% of project beneficiaries) sustainably adopting two or more climate change adaptation technology or practices</li> </ul>	0	30%	100%	DARD and DoNRE CC adaptation & mitigation records; REDD databases	Project start, mid-term and end-Project	DoNRE ad DARD	
<i>Output 4</i> Forest land and forest allocation	<ul style="list-style-type: none"> <li>Forest land and forest use rights for 17,000 ha of forest transferred to private HHs in B c K n</li> </ul>	??	40%	100%	Commune, DoNRE and DARD records	Annual	DoNRE & DARD	
<i>Output 5</i> Common Interest Groups for climate adaptation	<ul style="list-style-type: none"> <li>Members of up to 900 B c K n and 1,000 Cao B ng climate-adapted commodity-based CIGs trained in climate adapted technologies and practices.</li> </ul>	0	40%	100%	Project M&E system	Annual	PPCO	
<i>Outcome 3 Profitable farms linked to finance and markets</i> <i>Increased public and private investment in sustainable, profitable commodity production and value addition</i>	<ul style="list-style-type: none"> <li>SCGs maintain a minimum annual saving rate growth of at least 15% over base-year savings and &lt; 5% non-performing loans in their portfolios</li> </ul>	0	Yes	Yes	WU records Project M&E system	Annual	WU & PPCO	
	<ul style="list-style-type: none"> <li>Of US\$41 million invested in commodity-targeted, climate- adapted infrastructure, commodity production and enterprises development in Project communes, at least 70% of investments show an IRR &gt; 10%</li> </ul>	0	\$5 mil	\$41 mil	Business financial records Case studies M&E system	Annual	PPCO	
<i>Output 6</i> Community infrastructure	<ul style="list-style-type: none"> <li>Seventy project communes have Commune Infrastructure Supervision Boards capable of supervising, inspecting and maintaining infrastructure activities in their communes by end-PY2.</li> </ul>	0			CPC records Project M&E system	Annual	DPI	
<i>Output 7</i> Rural financial services	<ul style="list-style-type: none"> <li>6,200 new HHs in B c K n and 3,300 new HHs Cao B ng become members of WSCGs.</li> </ul>	0	3000 BK 1500 CB	6200 BK 3300 CB	WU records Project M&E systems	Project start, mid-term and end-Project	Women's Development Funds (WDF)	
<i>Output 8</i> Agribusiness Promotion Investment Fund (APIF).	<ul style="list-style-type: none"> <li>At least 12 CIG-linked enterprise applications for APIF funding approved in each province</li> </ul>	0	0	6 BK 6 CB	Surveys Project M&E systems	Annual	PPCO & DPIs	