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## **President's report**

### **Proposed loan**

#### **Socialist Republic of Viet Nam**

#### **Climate-smart Agricultural Value Chain Development in Ben Tre and Tra Vinh**

Project ID: 2000002335

#### **Note to Executive Board representatives**

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Executive Board — 134<sup>th</sup> Session  
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**For: Approval**

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- II. Logical framework
- III. Integrated project risk matrix

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### Project delivery team

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## Abbreviations and acronyms

4Ps	public-private-producer partnerships
AMD	Project for Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces
ATP	Agricultural Transformation Programme
AWP/B	annual workplan & budget
CSA	climate-smart agriculture
CSAT	Climate-smart Agricultural Value Chain Development in Ben Tre and Tra Vinh
DA	designated account
DFCD	Dutch Fund for Climate and Development
EMs	ethnic minorities
FM	financial management
ICO	IFAD Country Office
IPRM	integrated project risk matrix
M&E	monitoring and evaluation
MDP	Mekong Delta Plan
NTP	national target programmes
PA	project account
PIM	Project Implementation Manual
PMU	project management unit
PPCs	Provincial People's Committees
PSC	Project Steering Committee
SEDP	Socio-Economic Development Plan
SME	small and medium-sized enterprise
VC	value chain
VCAP	value chain action plan
WDF	Women's Development Fund

## Map of the project area



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 | 02-12-2021

## Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower/recipient:</b>	Socialist Republic of Viet Nam
<b>Executing agency:</b>	Provincial People's Committees of Ben Tre and Tra Vinh Provinces
<b>Total project cost:</b>	US\$136.4 million – US\$70.4 million for Tra Vinh Province and US\$66.0 million for Ben Tre Province
<b>Amount of loan:</b>	US\$43.0 million – US\$26.0 million for Tra Vinh Province and US\$17.0 million for Ben Tre Province
<b>Terms of IFAD loan:</b>	Ordinary
<b>Cofinancier[s]:</b>	
<b>Amount of cofinancing:</b>	Financing institutions US\$70.5 million – US\$32.0 million for Tra Vinh Province and US\$38.5 million for Ben Tre Province  National Private Sector: US\$0.5 million – US\$0.1 million for Tra Vinh Province and US\$0.4 million for Ben Tre Province
<b>Contribution of borrower/recipient:</b>	US\$17.8 million (in-kind US\$6.6 million – US\$3.9 million for Tra Vinh Province and US\$2.7 million for Ben Tre Province; in-cash US\$11.2 million, US\$5.8 million for Tra Vinh Province and US\$5.4 million for Ben Tre Province)
<b>Contribution of beneficiaries (in-kind):</b>	US\$4.6 million – US\$2.8 million for Tra Vinh Province and US\$1.8 million for Ben Tre Province
<b>Amount of IFAD climate finance:</b>	US\$18.5 million
<b>Cooperating institution:</b>	Directly supervised by IFAD

## Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 71, subject to the conditions set forth in paragraph 68.

### I. Context

#### A. National context and rationale for IFAD involvement

##### National context

1. The Socialist Republic of Viet Nam's macro-economic development record over the past 30 years is remarkable. Economic and political reforms have spurred rapid economic growth and development, and transformed Viet Nam from one of the world's poorest nations to a lower-middle-income country.
2. Agriculture's significant contribution to economic growth and rural poverty reduction has come at a cost, however. Growth in the farm sector has been heavily subsidized by unsustainable exploitation of natural resources. In the Mekong Delta, overuse of surface and ground water is leading to water scarcity. Climate change effects such as rising sea levels, droughts and increasing air temperatures have taken their toll on agriculture as well.
3. Viet Nam has made impressive progress in poverty reduction. In the last 30 years, more than 40 million people have escaped poverty through rapid economic growth that has created more and better jobs. Poverty has become overwhelmingly rural. The vast majority of the poor (86 per cent) belong to ethnic minorities (EMs) residing in remote and mountainous areas.
4. Vulnerability to external shocks is prevalent among households with a strong dependence on agricultural and wage and non-wage incomes. They also have limited access to water infrastructure, insurance and climate-sensitive agro-advisory services to mitigate risks. The Mekong Delta Plan (MDP) (2013-2020), the Agricultural Transformation Programme (ATP) and Government Resolution 120 on economic development in the Mekong Delta are key policy instruments seeking to address the growing threats from climate change and the unsustainable use of natural resources, especially groundwater.
5. The COVID-19 pandemic has uncovered large vulnerabilities significantly affecting Viet Nam's economic development in 2020-2021. For 2021, national economic recovery is uncertain due to new outbreaks of the disease and a slow global recovery. Recent government policies focus on recovery by investing in public infrastructure, promoting access to finance, enhancing labour productivity and expanding the use of digital technology.

##### IFAD's corporate mainstreaming priorities

6. **Gender and social inclusion.** A large majority of the working poor continue to be women. Gender inequality is recognized as one of the key causes of poverty. Climate change is raising new challenges in this respect, however. The Climate-smart Agricultural Value Chain Development in Ben Tre and Tra Vinh (CSAT) will mainstream gender equality and apply direct and indirect targeting strategies to reach poor women, especially in EMs. Women will be trained in digital technologies in order to reduce their workload, cope with climate change, and adopt flexible time management.
7. **Youth.** Employment is the biggest challenge for youth in Viet Nam. The informal sector remains the norm for most young workers and over half of employed youth are poorly paid. Skills mismatch also affects close to half of the working young.

CSAT aims to create an enabling environment for decent employment and entrepreneurship along value chains (VCs).

8. **Nutrition.** Viet Nam still suffers from malnutrition among the under-five age group. CSAT is not considered as nutrition-sensitive but its focus on climate-resilient crops, livestock production and VC development will increase household revenues and thus the availability and consumption of nutritious foods.
9. **Climate and environment.** Viet Nam ranks among the top 10 countries globally facing long-term climate risks. The Mekong Delta is considered one of the river deltas most vulnerable to climate change, notably in terms of sea level rise, droughts, extreme heat, severe storms and flooding, which are all causing substantial economic and human losses. CSAT will strengthen the Government's ability to support small-scale rural producers in building anticipatory capacity (to plan for and reduce shocks), absorptive capacity (to absorb and cope with shocks and stresses) and adaptive capacity.<sup>1</sup>
10. In line with the Eleventh Replenishment of IFAD's Resources (IFAD11) mainstreaming commitments, CSAT has been validated as:
  - Inclusive of climate finance; and
  - Youth-sensitive.

#### **Rationale for IFAD involvement**

11. CSAT responds to the Government's request to design a follow-up project to the recently completed Project for Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces (AMD). The Government and IFAD consider AMD as a success in terms of piloting participatory socio-economic planning and innovative technology transfer to strengthen the capacity of smallholder farmers to adapt to climate change.
12. IFAD's strategy in Viet Nam over the past 20 years has remained focused on supporting the Government to achieve its key development objective – to lift rural populations from subsistence farming to climate-resilient, market-oriented agriculture. IFAD has targeted previous operations in Ben Tre and Tra Vinh, two of the poorest provinces in the Mekong Delta and home to 60,000 poor and near-poor households, including the Khmer EM group. The latter has a disproportionately higher poverty rate (25 per cent) than the national average (6 per cent).
13. IFAD has an important comparative advantage as an agent of change in the agriculture and rural sector. The Fund provides access to rural finance and develops last-mile rural infrastructure to support inclusive, remunerative and pro-poor VCs. The current country strategic opportunities programme (COSOP) 2019-2025, is focused on smallholder farmers and rural small and medium-sized enterprises (SMEs) in underserved areas with a concentration of EMs. CSAT is fully aligned with the COSOP, directly contributing to its three strategic objectives.
14. IFAD's portfolio in Viet Nam has demonstrated that rural infrastructure generates the highest impact when linked with VC capacity-building based on participatory and market-oriented planning. This approach mainstreams adaptation to climate change, makes financial services available and enhances technical and business skills among producers. A critical element is private sector engagement with small-scale producers through project investments (e.g. infrastructure, enhancing producer capacities) that incentivize and de-risk public and private investments. Building on AMD, there is therefore a strong rationale to continue these investments and scale up the lessons learned from CSAT, focusing on investments in climate-smart VCs.

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<sup>1</sup> CSAT will measure such progress along an integrated resilience indicator and related scorecard which builds on AMD experience and will benefit from other ongoing IFAD work on the subject.

15. IFAD-funded projects in Viet Nam have also demonstrated that rural women and youth can be empowered by supporting their businesses and generating decent employment for them within VCs. Lastly, lessons from CSAT will contribute directly to the MDP and the larger ATP. It is therefore expected that CSAT will generate a lasting impact, both in terms of scale and policy, in the Mekong Delta region.

## **B. Lessons learned**

16. IFAD's Viet Nam portfolio has accumulated a wealth of lessons. The most relevant for CSAT focus on: (i) promotion of regional planning and cross-sector coordination for the Mekong Delta; (ii) ensuring synergies of VC instruments including value chain action plans (VCAPs), the Women's Development Fund (WDF), public-private-producer partnerships (4Ps) and climate-smart agriculture (CSA); (iii) private sector engagement; (iv) women's empowerment; (v) holistic approach to climate resilience from planning to implementation; and (vi) integration of project instruments into government programmes, taking into account the new official development assistance policies in Viet Nam.

## **II. Project description**

### **A. Objectives, geographical area of intervention and target groups**

17. CSAT's goal is to achieve sustainable and climate-resilient rural transformation in Ben Tre and Tra Vinh Provinces, serving as a model for the Mekong Delta region. The project's development objective is to generate sustainable income opportunities and improved rural livelihoods for poor households, women, men, youth and EMs in Tra Vinh and Ben Tre Provinces.
18. **Geographical area.** CSAT will be implemented in the above provinces, which are highly vulnerable to the effects of climate change and have major pockets of rural poverty. Local inhabitants, their food production systems and economic well-being are facing growing threats from climate change. The location of the key VCs will determine CSAT's specific geographical intervention areas.
19. **Target groups and beneficiaries.** CSAT will directly reach 60,000 smallholder farmers' households (Ben Tre 25,000 and Tra Vinh 35,000) equivalent to some 210,000 people in around 80 communes in both provinces. To ensure greater participation and social inclusion of the project's main target groups, a combination of direct targeting and self-targeting methods will be set in place. While project activities are of interest to all target groups (self-targeting) in the intervention area, the direct targeting methods will ensure the participation and creation of activities to reach the most vulnerable groups: women, youth and EMs.
20. Targets are set for reaching women (40 per cent, of which 16 per cent are household heads), youth (20 per cent, of which 50 per cent are young women) and EMs (30 per cent in Tra Vinh).

### **B. Components, outcomes and activities**

21. CSAT has three components: (i) Coordination for sustainable and inclusive rural transformation; (ii) inclusive and climate-smart VCs; and (iii) project management.
22. **Component 1/outcome 1. Coordination for sustainable and inclusive rural transformation.** This component aims at improving the effectiveness of cooperation on the Socio-Economic Development Plan (SEDP) at provincial and Mekong Delta-regional levels, and stronger integration of climate resilience. The integrated SEDP forms the basis for climate-resilient VCAPs, planning, capacity-building and 4P collaboration.
  - **Subcomponent/output 1.1. Provincial and sectoral plans promote innovative anti-poverty gender empowerment and climate-resilient VC development.** This subcomponent draws on IFAD's experience of SEDP



support in 11 provinces in the past 10 years, including in Ben Tre and Tra Vinh. It will review and update the existing SEDPs (2021-2025) incorporating a climate resilience vision to 2050 and an increased VC orientation. The revised SEDPs will identify and align government cofinancing of CSAT activities in component 2.

- **Subcomponent/output 1.2. VCAP for climate-resilient, inclusive, and remunerative VC investments.** In the first year, an in-depth VCAP process will identify pro-poor VCs that can lead to higher incomes, are inclusive of women and youth, are resilient and adapted to climate change, and are linked to private sector technical support and/or off-takers.
  - **Subcomponent/output 1.3. Functioning of 4P multi-stakeholder platforms in support of priority VCs and MDP.** CSAT will support the establishment of 4P platforms whose main tasks will be to facilitate coordination of VC actors, negotiations of farm gate prices, quality standards, trade contracts and product branding, and ensure market transparency. The platform will include a conflict resolution/grievance system. The provincial entrepreneurs' associations in each province will lead establishment and implementation of the 4P platforms.
  - **Subcomponents/output 1.4. Enhanced capacity-building for inclusive VCs.** This subcomponent aims to enhance VC actors' capacity to support an enabling business environment and create incentives to attract investments to be implemented in component 2. Building on AMD lessons, CSAT will work with proven service providers. Each of these partners will provide their own financing to work with CSAT. The curriculum introduced by AMD will be expanded to include: marketing support, production and business planning, and bankable business proposals for CSA.
23. **Component 2/outcome 2. Inclusive and climate-smart VCs.** The outcomes of this component build on component 1, notably VCAPs and converging finance along SEDP and 4Ps. Outcomes include: smallholder farmers engage in VCs; they have improved access to financial services, water, market infrastructure and extension services; and they adopt environmentally sustainable and climate-resilient technologies, including efficient water usage. All contribute to create jobs for women, youth and EMs. Component 2 outputs are financed from the IFAD loan (output 2.1) and public and private sectors sources.
- **Subcomponent/output 2.1. Climate-resilient infrastructure for sustainable water usage and enhanced access to markets.** CSAT invests in climate-resilient infrastructure needed for inclusive VC development. All planned infrastructure will be vetted using social, environmental, climate change and sustainability criteria. These structures will enable agriculture and related VC actors to better withstand weather variability and adverse climate events.
  - **Subcomponent/output 2.2. Rural producers and enterprises access financial services for VC development.** CSAT seeks to leverage linkages between formal financial institutions and SMEs and producers. These include the AMD-supported funds (WDF, climate change adaptation revolving fund), government funds (Farmer Support Fund, Start-up Fund, SME Support Fund), and other blended financing (Dutch Fund for Climate and Development [DFCD]).
  - **Subcomponent/output 2.3. Smallholder farmers invest in CSA.** The output of this subcomponent is that smallholder farmers, women, youth and EMs, have access to up-to-date, location-specific CSA technologies and practices. The new generation of CSA technologies will promote novel elements such as digital technology, food safety and quality standards. The

adoption of CSA practices will improve the adaptive capacity of smallholder farmers to climate change/variability and allow them to better manage the scarce resources (notably water) needed for existing or improved agriculture production.

24. **Component 3. Project management.** Project coordination follows the proven structure of IFAD-funded projects in Viet Nam, notably the lessons learned from AMD. It uses a number of additional functions to respond to new requirements, including risk management, policy engagement and facilitating private sector linkages and partnerships. Monitoring and evaluation (M&E) and knowledge management (KM) are addressed in section IV.B. The Project Implementation Manual (PIM) describes the detailed implementation arrangements.

### **C. Theory of Change**

25. IFAD-funded projects in Viet Nam have mainstreamed climate adaptation, participatory planning and market focus in the SEDP in 11 provinces. Access to markets was enhanced for community groups/common interest groups; new jobs were created and more than 100 4P contracts were issued. Building on these lessons, several aspects are explored to ensure an inclusive rural transformation process as envisaged by government policies. All project interventions are expected to increase income and reduce vulnerability among target groups. Moreover, the provincial planning process will inform regional planning and shape the rural transformation process in the Mekong Delta.
26. First, CSAT will focus on the VCAP in enhancing capacity to organize and leverage resources from private and other public sector sources, including national target programmes.
27. Second, CSAT will establish critical business development services (BDS) and a 4P platform for rural producers and their organizations, as well as for public sector and private enterprises to facilitate investments and partnerships. The objective is to make agriculture a profitable business adapted to climate change and attractive to investments by the private sector and financial institutions.
28. Third, CSAT will apply the outputs of the VCAP, 4P platform, BDS and capacity-building to invest in climate-resilient infrastructure and key VCs which can offer target groups better incomes.

### **D. Alignment, ownership and partnerships**

29. CSAT contributes to the Sustainable Development Goals (SDGs), especially SDG 1 (No poverty), SDG 2 (Zero hunger) and SDG 5 (Gender equality), and all three strategic objectives of the 2019-2025 COSOP and IFAD's mainstreaming agenda on gender, youth, EMs and climate change resilience.
30. CSAT is aligned with government strategic goals in three key development areas: (i) enabling market-led rural development, (ii) advancing poor people's access to commodity and labour markets, and (iii) enhancing the rural poor's capacity to adapt to climate change. These are articulated in the 2021-2025 SEDP and the 2021-2030 Socio-Economic Development Strategy, the Agricultural Recovery Project, and the 2016-2020 National Target Programme for Climate Change Response and Green Growth, as well as the MDP, ATP and Resolution 120.
31. IFAD maintains cooperation with other development partners, notably the World Bank, Asian Development Bank, the Food and Agriculture Organization of the United Nations (FAO) and bilateral agencies, including the Netherlands, the African Development Fund and the German Agency for International Cooperation (GIZ). IFAD is an active member in the Mekong Delta working group, which advises the Government on policy issues related to climate change in the region.

## E. Costs, benefits and financing

### Project costs

32. CSAT costs are estimated at US\$136.4 million over five years. The project is being financed by an IFAD loan of US\$43 million (32 per cent of project cost). The Government will contribute US\$11.2 million in cash (8 per cent) and US\$6.6 million in-kind (5 per cent). Beneficiaries will contribute US\$4.59 million in-kind (3 per cent). Contributions from financial institutions, including DFCD, will amount to 52 per cent of project costs. Additional private sector financing will be available for producer groups and investments in SME and VC development.
33. In addition, an IFAD-United Nations Industrial Development Organization VC initiative targeting women and youth in Ben Tre, funded by a US\$0.5 million grant from the United Nations COVID-19 Response and Recovery Fund Multi-Partner Trust Fund will support CSAT's start-up phase by drawing on the first lessons learned on inclusive VC development. Other internationally funded projects will work with CSAT, such as the European Union-funded Development Smart Innovation through Research in Agriculture, implemented by the FAO-CIRAD (French agricultural research and cooperation organization) and the Canadian Government-funded SME development project in Tra Vinh.
34. **Climate financing.** IFAD climate finance for CSAT is preliminarily calculated at US\$18.53 million, focused mostly under subcomponent 2.1.

### Financing/cofinancing strategy

35. CSAT financing includes a US\$43 million IFAD loan on ordinary terms and national finance, including from the Government, beneficiaries, banks, WDF, private sector enterprises and DFCD. In line with the Government's official development assistance decree 56, IFAD loan financing can be invested only in public infrastructure. All other project activities will be cost-shared by other national and international sources of finance.
36. Most domestic funding has been confirmed. It is envisaged that CSAT and DFCD will enter into a memorandum of understanding outlining a joint investment strategy with specific targets. As demonstrated by the economic and financial analysis, CSAT will generate substantial benefits even without DFCD funding.

Table 1

#### Project costs by component, subcomponent and financier\*

(Thousands of United States dollars)

CSAT total	IFAD loan		Counterpart		Counterpart in-kind		Beneficiaries		Financing institutions		Private sector		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Coordination for sustainable and inclusive rural transformation	-	-	1 256	70.7	-	-	-	-	-	-	521	29	1 778	1
2. Inclusive and climate-smart VCs	42 991	33.4	5 099	4.0	5 581	4	4 596	4	70 408	55	-	-	128 674	94
3. Project management	-	-	4 880	82.3	1 051	18	-	-	-	-	-	-	5 931	4
<b>Total project costs</b>	<b>42 991</b>	<b>31.5</b>	<b>11 235</b>	<b>8.2</b>	<b>6 632</b>	<b>5</b>	<b>4 596</b>	<b>3</b>	<b>70 408</b>	<b>52</b>	<b>521</b>	<b>1</b>	<b>136 383</b>	<b>100</b>

\* The detailed project cost by component and financier for each province (Ben Tre and Tra Vinh) can be referred to in appendix III, table 4 of the project design report at [https://orms.ifad.org/projects/2000002335/design\\_report](https://orms.ifad.org/projects/2000002335/design_report).

Table 2

**Project costs by expenditure category and financier\***

(Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD loan</i>		<i>Counterpart</i>		<i>Counterpart in-kind</i>		<i>Beneficiaries</i>		<i>Financing Institutions</i>		<i>Private sector</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
I. Investment costs														
A. Equipment and materials	-	-	278	100	-	-	-	-	-	-	-	-	278	-
B. Credit, guarantee funds	-	-	-	-	-	-	-	-	68 600	100	-	-	68 600	50
C. Grants and subsidies	-	-	-	-	-	-	-	-	1 448	100	-	-	1 448	1
D. Works	42 991	78	4 777	9	3 406	6	3 803	7	-	-	-	-	54 977	40
E. Consultancies	-	-	1 205	63	325	17	-	-	361	19	18	1	1 909	1
F. Workshops	-	-	266	77	-	-	-	-	-	-	80	23	346	-
G. Training	-	-	939	69	-	-	-	-	-	-	423	31	1 362	1
H. Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total investment costs</b>	<b>42 991</b>	<b>33</b>	<b>7 464</b>	<b>6</b>	<b>3 731</b>	<b>3</b>	<b>3 803</b>	<b>3</b>	<b>70 408</b>	<b>55</b>	<b>521</b>	<b>-</b>	<b>128 919</b>	<b>95</b>
II. Recurrent costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A. Operating costs	-	-	659	20	1 850	56	793	24	-	-	-	-	3 302	2
B. Salaries	-	-	3 111	75	1 051	25	-	-	-	-	-	-	4 162	3
<b>Total recurrent costs</b>	<b>-</b>	<b>-</b>	<b>3 770</b>	<b>51</b>	<b>2 901</b>	<b>39</b>	<b>793</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7 464</b>	<b>5</b>
<b>Total project costs</b>	<b>42 991</b>	<b>32</b>	<b>11 235</b>	<b>8</b>	<b>6 632</b>	<b>5</b>	<b>4 596</b>	<b>3</b>	<b>70 408</b>	<b>52</b>	<b>521</b>	<b>-</b>	<b>136 383</b>	<b>100</b>

\* The detailed project cost by expenditure category and financier for each province (Ben Tre and Tra Vinh) can be referred to in appendix III, table 6 of the project design report at [https://orms.ifad.org/projects/2000002335/design\\_report](https://orms.ifad.org/projects/2000002335/design_report).

Table 3  
**Project costs by component and project year\***  
 (Thousands of United States dollars)\*\*

Components	2022	2023	2024	2025	2026	Total
	Amount	Amount	Amount	Amount	Amount	Amount
1. Coordination for sustainable and inclusive rural transformation	534	426	411	341	65	1 777
2. Inclusive and climate-smart VCs	11 024	30 978	31 769	32 571	22 332	128 674
3. Project management	1 127	1 145	1 218	1 180	1 262	5 932
<b>Total</b>	<b>12 685</b>	<b>32 549</b>	<b>33 398</b>	<b>34 092</b>	<b>23 659</b>	<b>136 383</b>

\* The detailed cost by component and project year for each province (Ben Tre and Tra Vinh) can be referred to in appendix III, table 5 of the project design report at [https://orms.ifad.org/projects/2000002335/design\\_report](https://orms.ifad.org/projects/2000002335/design_report).

\*\* Totals including contingencies.

### Disbursement

37. **Designated accounts (DAs).** Upon entry into force of the two financing agreements for Ben Tre and Tra Vinh Provinces, the Government is required to open and maintain one DA for each province. The two DAs shall be located at a commercial bank in the loan's denominating currency and administered following imprest account arrangements.
38. **Project accounts (PAs).** Each provincial project management unit (PMU) shall open and maintain in their respective treasuries the PAs denominated in local currency for project operations. PAs shall be replenished as necessary from the DAs, at the request of the PMU to the Ministry of Finance and in accordance with expenditures incurred under the approved annual workplans and budgets (AWP/Bs).
39. **Start-up costs.** The Government may request advance withdrawals of up to US\$300,000 for each province after the financing agreements enter into force and prior to meeting the conditions precedent to withdrawal.

### Summary of benefits and economic analysis

40. **CSAT direct benefits** are assessed to be mainly investments in climate-smart infrastructure, corresponding to 60,000 households. The economic and financial analysis focuses on these beneficiaries in subcomponent 2.1.
41. Expected **indirect benefits** from the other components include: adequate planning of infrastructure investments; adequate targeting of beneficiary groups; improved capacity on CSA practices; and access to financial services and jobs. These benefits accrue to 20,000 households in addition to the above-mentioned 60,000 households, particularly through job creation, improved capacity on CSA and other VC functions, and access to finance. Detailed assumptions on outreach are presented in annex IV of the project design report.
42. The estimated financial results for CSAT are positive, with a net present value of US\$52 million. The project's internal rate of return is assessed at 32.1 per cent. For the economic analysis, the sensitivity analysis reveals that CSAT remains positive in all scenarios envisaged, including a reduction of project benefits of 25 per cent, an increase in project costs of 25 per cent, and a delay in project benefits of two years. The analysis uses a discount rate of 7 per cent, which is higher than the interest rate on long-term Vietnamese bonds.

### Exit strategy and sustainability

43. CSAT's exit strategy provides for the gradual transfer of its policy products and the inclusive and climate VC approach and tools into the ATP. Component 1 will be entirely financed and embedded in the provincial government structures. To ensure mainstreaming of CSAT outputs, notably the VCAP, the exit strategy outlines roles, responsibilities and mechanisms for the continuation of the activities. Under component 2, infrastructure supervision and operation and maintenance rest with the provincial governments. All irrigation will be managed by water users' groups

to be set up and supported as a precondition for CSAT investments. Rural finance services continue with the WDF, the public funds and the participating private banks.

44. A key condition for sustainability is whether producers can cope with climate change. CSAT builds the required institutional backup and links it with the funding resources required. Based on AMD experience, CSAT promotes innovations, learning and implementation as a continuing mechanism led by Provincial People's Committees (PPCs), Can Tho University and the 4P platform. Technology (including digital) and knowledge transfers are sponsored by the private sector to ensure a steady flow of high-quality products and gain increased trust from markets and end-consumers.

### III. Risks

#### A. Risks and mitigation measures

45. Appendix III presents the integrated project risk matrix (IPRM). The IPRM will be updated during project implementation. The following key risks were identified: (i) COVID-19 pandemic impacts on the economy are stronger than anticipated, public revenues are reduced, and government may not be able to provide sufficient funds to the provinces for development programmes such as CSAT; and (ii) climate events increase in frequency and intensity and affect CSAT target areas before or during early project implementation.
46. Risk mitigation measures include: CSAT is fully integrated in the country-wide ATP, i.e. a core government programme. CSAT provides demand-driven and participatory approaches in line with directives from the highest political level. Government protocols have efficiently managed climate disasters in the past. CSAT complements disaster risk programmes by fostering resilience ex-ante and enabling fast recovery after a climate disaster.

Table 4  
Risks and mitigation measures

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	Moderate	Moderate
Sector strategies and policies	Substantial	Moderate
Environment and climate context	Substantial	Moderate
Project scope	Moderate	Moderate
Institutional capacity for implementation and sustainability	Moderate	Moderate
Financial management	Moderate	Low
Project procurement	Moderate	Moderate
Environment, social and climate Impact	Low	Low
Stakeholders	Moderate	Moderate
<b>Overall</b>	Moderate	Moderate

#### B. Environment and social category

47. IFAD's Social, Environmental and Climate Assessment Procedures (SECAP) classify CSAT's potential social and environmental impacts as low-to-moderate or **Category B**. Most, if not all, CSAT investments aim to enhance climate resilience of people and their productive activities, and improve natural resource management. CSAT will support better groundwater management, protect cropland from saline water intrusion and open-water resources from pollution. The project will promote better land management, organic farming and good agricultural practices with a view to growing market demand. The SECAP includes the Environmental and Social Management Plan for the entirety of the project and the Environmental and Social Management Framework for climate-resilient infrastructure investments.

### **C. Climate risk classification**

48. The SECAP assessed CSAT's climate risk as high. The target areas in Ben Tre and Tra Vinh have been exposed to extreme climatic events, mainly drought and salinization. Saline water intrusion on cropland and groundwater has been occurring for more than a decade, affecting livelihoods and the economy of the entire Mekong Delta region. In both provinces, which are located at the estuaries of the delta, farmers have shifted away from rice to other crops or fish farming. CSAT investments, notably in infrastructure, will take place in low-lying coastal zones and other areas with a record of extreme weather events. The project will promote agricultural activities in marginal and/or highly degraded areas that would mitigate vulnerability to climate events.

### **D. Debt sustainability**

49. Viet Nam's external debt-to-GDP ratio declined sharply to 45.6 per cent in 2018, with a moderate increase foreseen at 47.2 per cent in 2019. Public and publicly guaranteed external debt is trending downwards at 24 per cent of GDP, in line with the authorities' switch to domestic financing sources and its limiting of guarantees. Under the International Monetary Fund/World Bank approach to debt sustainability analysis, Viet Nam's overall debt has been assessed as sustainable, with significant access to international capital markets.

## **IV. Implementation**

### **A. Organizational framework**

#### **Project management and coordination**

50. The Ministry of Finance and Ministry of Planning and Investment provide oversight at national level and vis-a-vis IFAD. The Government appoints the PPCs of Ben Tre and Tra Vinh, respectively, as Lead Project Implementing Agencies, accountable for project execution. The PPCs will establish a project steering committee (PSC) in each province, led by the Provincial Committee Chairman or Deputy Chairman. PSCs are mandated to lead project implementation and ensure coordination and integration with all the national target programmes and donor-funded projects.
51. Each PPC will establish a dedicated PMU who will be responsible for day-to-day project management.

#### **Financial management, procurement and governance**

52. A draft FM manual has been prepared for the Government and IFAD. CSAT will identify and customize web-based accounting software before project start-up for maintenance of accounting records in accordance with the national accounting standards, interim financial reports and project-consolidated financial statements. It will establish a control framework integrating periodic internal audits, independent external audits, and social safeguards based on IFAD policies.
53. The inherent country fiduciary risk is substantial: Transparency International's 2020 Corruption Perception Index gave Viet Nam a score of 36, placing it 104<sup>th</sup> out of 180 countries. Despite significant improvements, corruption remains a great concern to the Government. However, the overall inherent project FM risk is moderate and will be reduced to low after mitigation measures are undertaken (appendix III).
54. Procurement will be carried out in accordance with Procurement Law No. 43/2013/QH13, Decree 63/2014/ND-CP and subsequently updated public procurement regulations, which are assessed as consistent with the latest IFAD procurement guidelines.
55. The IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations is reflected in the Fund's legal framework<sup>2</sup>, which applies to all recipients of IFAD

<sup>2</sup> Project Procurement Guidelines, General Conditions for Agricultural Development Financing, IFAD's Code of Conduct.

financing. Provincial PMUs will ensure that CSAT activities are implemented in full transparency.

### **Beneficiary engagement and grievance redress<sup>3</sup>**

56. CSAT's participatory planning process constitutes the building block for active engagement of target groups and stakeholders in CSAT decision-making. Free, prior and informed consent and an EM plan will ensure the presence of a feedback mechanism where demands, concerns and risks are voiced and risk-mitigation measures developed. CSAT will also engage in proactive public information disclosure on project implementation and results to create an enabling environment for stakeholder engagement.

### **Grievance redress**

57. The current grievance redress mechanism will be strengthened in line with relevant Vietnamese laws and regulations. CSAT grievance mechanisms will be two-tiered. Tier 1 will be internal and target the communities concerned and Tier 2 will involve third-party/external mediation. CSAT will empower grievance redress committees at villages, districts and provincial levels, and upwards to hear representations. At the village level, the present grievance mechanisms are chaired by elders and/or spiritual/tribal leaders, who are largely accepted by local communities, particularly EM groups.

## **B. Planning, monitoring and evaluation, learning, knowledge management and communication**

58. As the key instrument for project planning, the AWP/B will be developed through a participatory approach based on formulation of VCAPs, 4P investment plans, and climate-smart and market-oriented participatory SEDPs as outlined in the PIM.
59. The M&E system is embedded in the project Management Information System (MIS) integrating project management, FM, procurement and physical progress, allowing reporting in real time. The MIS will be the platform for all co-implementing agencies to provide and review progress data for planning, reporting and adjustments of the implementation plans. Robust project data will feed KM and policy dialogue. Outputs, outcomes, and impact indicators are all causally connected as set out in the project logical framework.
60. The KM strategy is embedded in the Mekong Hub KM strategy and builds on the following key elements: (i) a KM programme in support of learning and replicating the project good practices and lessons learned among project stakeholders; and (ii) support for a broader programme of KM aimed at informing government decision-makers and influencing the scaling up of innovation, and policy development.
61. CSAT will produce communication materials summarizing success stories and to be distributed through conferences, workshops, learning routes, and through radio, TVs, e-mails, websites and social media. The project will closely cooperate with national coordination offices for national target programmes and the agricultural research and development policy research group through on-going IFAD-funded grants to scale up CSAT innovations.

### **Innovation and scaling up**

62. The following innovations are expected: (i) application of a landscape development approach for rural transformation; (ii) inter-province SEDPs with climate-smart VC support coordination mechanism; (iii) climate-smart infrastructure models; (iv) efficient water purification for high-productivity and disease-controlled aquaculture/shrimp VCs; and (v) ICT-based salinity and water management, pest control applications and e-marketing.

<sup>3</sup> <https://webapps.ifad.org/members/eb/128/docs/EB-2019-128-R-13.pdf?attach=1>.



## **C. Implementation plans**

### **Implementation readiness and start-up plans**

63. IFAD's loan is scheduled for Executive Board approval in September 2021. Approval by the Government of the two financing agreements and inclusion in the national and provincial investment plans and 2021-2025 budget are expected during fourth quarter 2021.
64. Following CSAT approval, PPCs will proceed to recruit their respective PMUs. The latter will prepare a start-up plan detailing activities required for implementation. These include the finalization of the draft PIM, opening of the designated and PAs, set up of M&E, financial and procurement management, AWP/B, and planned procurement as outlined in the project design report.

### **Supervision, midterm review (MTR) and completion plans**

65. The Viet Nam IFAD Country Office (ICO) will carry out regular supervision and support missions, in line with IFAD guidelines. The ICO will be supported by the regional Financial Management Services Division and Strategy and Knowledge Department teams. Predominantly national technical consultants will be recruited on a needs basis for focused technical support. A midterm survey and MTR will be executed during the third year. All missions will be implemented in close partnership with national and local authorities, development partners and other relevant institutions.
66. The PMU will lead the project completion report (PCR) and be supported by the ICO. Similarly, the PCR will be preceded by an end-line survey and be complemented by stakeholder consultations.

## **V. Legal instruments and authority**

67. Under the same ID project, two financing agreements are finalized between the Socialist Republic of Viet Nam and IFAD, respectively, one related to the Ben Tre Province and the other related to the Tra Vinh Province, which constitute the project's geographical area; the two above-mentioned financing agreements will constitute the legal instruments for extending the proposed financing to the borrower/recipient.
68. Due to COVID-19 restrictions in effect in the country, copies of the respective negotiated financing agreements with Ben Tre and Tra Vinh Provinces will be submitted at a subsequent Executive Board session. IFAD received the decision on the investment policy for CSAT approved by the Prime Minister of the Socialist Republic of Viet Nam on 26 November 2021, which enabled technical discussions of the financing agreements to be held successfully on 30 November 2021. These will be converted into the official negotiations once the final authorizations are obtained by the borrower's representative. The Executive Board is requested to approve the project on condition that any important variation to the terms presented to the Board that might arise during the final negotiations would be brought to the attention of the Board in a future session.
69. The Socialist Republic of Viet Nam is empowered under its laws to receive financing from IFAD.
70. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

## **VI. Recommendation**

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

RESOLVED: that the Fund shall provide a loan on ordinary terms to the Socialist Republic of Viet Nam in an amount of forty-three million United States dollars (US\$43,000,000) and upon such terms and conditions as shall

be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Houngbo  
President

## **Negotiated financing agreements**

(Will be made available at a subsequent Executive Board session)

## Logical framework

\*Note: this version is compressed to meet the space limitations of this Report; for the full logframe please refer to the PDR version.

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Outreach</b>	<b>1 Persons receiving services promoted or supported by the project</b>				MIS	Annual	PMU	
	Total number of persons receiving services - Number of people	0	48000	120000				
	<b>1.a Corresponding number of households reached</b>				MIS	Annual	PMU	
	Households - Households	0	24000	60000				
	<b>1.b Estimated corresponding total number of households members</b>				MIS	Annual	PMU	
	Household members - Number of people	0	100000	210000				
<b>Project Goal</b> Sustainable and climate resilient rural transformation in Ben Tre and Tra Vinh province	<b>Decrease in provincial multi-dimensional poverty incidence for BT and TV</b>				Outcome & Impact survey, DOLISA report	Benchmark, Mid-term, Final	PMU, DOLISA	Provincial governments committed to regional integrated market-led socio-economic development planning as indicated in Resolution 120, and Decision 324
	Decrease Percentage (%)	0	10	20				
	<b>Smallholder households report increased resilience to climate, environmental and economic shocks of &gt; 20% , by P, V, S, A, EM</b>				Outcome survey	Benchmark, Mid-term, Final	PMU	

	Tra Vinh smallholder HH - Households	0	10000	24500				provinces Law and policies on gender equality are strongly enforced at all levels
	Ben Tre smallholder HH - Households	0	7000	17500				
<b>Development Objective</b> Sustainable income opportunities and improved rural livelihoods for poor households and their women, men, EM and youth in Tra Vinh and Ben Tre provinces	<b>Percentage of income increase among vulnerable and poor people in BT and TV</b>				Outcome & Impact survey, MIS	Benchmark, Mid-term, Final	PMU	
	Income increase - Percentage (%)	0	10	15				
	<b>IE.2.1 Individuals demonstrating an improvement in empowerment</b>				Outcome & Impact survey	Benchmark, Mid-term, Final	PMU	
	Total persons - Percentage (%)	0	30	80				
<b>Outcome</b> 1. Effective provincial & regional coordination for sustainable and inclusive rural transformation established	<b>SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers</b>				Outcome survey	Annual at mid-term	PMU	
	Households (%) - Percentage (%)	0	30	70				
	<b>Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment</b>				MIS, Outcome survey	Annual at mid-term	PMU	
	Number - Number	0	1	2				
	<b>2.2.3 Rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities</b>				MIS, Outcome survey	Annual at mid-term	PMU	
	Percentage of POs - Percentage (%)	0	40	70				
<b>Output</b> 1.1. Provincial and	<b>Policy 1 Policy-relevant knowledge products completed</b>				MIS	Annual	PPCs/PMU	

sectoral plans for the period 2021-2025 promote innovative pro-poor, gender empowerment and climate resilient VC development completed	Number Knowledge Products - 0 8 10					
<b>Output</b> 1.2. Value chain action planning (VCAP) for climate resilient, inclusive, and remunerative value chain investment.	<b>At least 8 value chain action plans (VCAP) prepared in each province.</b>	MIS	Annual	PMU	Farm households are able to finance their part of the investment facility	
	Action Plans Number - 0 8 8					
<b>Output</b> 1.3. Functioning of 4P multi-stakeholder platforms in support of priority value chains & Mekong Delta Plan supported	<b>Policy 2 Functioning multi-stakeholder platforms supported</b>	MIS	Annual	PMU	Provincial authorities maintain ARD as priority sector for Provincial investment.	
	Number Platforms - 0 5 10					
<b>Output</b> 1.4 Enhanced Capacities for building inclusive value chains	<b>2.1.1 Rural enterprises accessing business development services</b>	MIS	Annual	PMU	Private investors are interested in investing in business opportunities in smallholders agriculture along conditions promoted by the programme	
	Rural enterprises - Enterprises 0 300 600					
	<b>2.1.3 Rural producers' organizations supported</b>	MIS	Annual	PMU		
	Rural POs supported Organizations - 0 2000 4000					
<b>Outcome</b> 2. Inclusive and climate	<b>2.2.6 Households reporting improved physical access to markets, processing and storage facilities</b>	Outcome survey	Annual at Mid term	PMU	Local enterprises are able to finance their part of the investment facility	

resilient value chains established	Households reporting improved physical access to markets - Households	0	10000	30000				Valid agricultural innovations available from research institutions and private sector
	<b>2.2.1 New jobs created</b>				Outcome survey	Annual at Mid term	PMU	
	New jobs - Jobs	0	500	1000				
	<b>3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices</b>				MIS, Outcome survey	Annual at Mid term	PMU	
Households - Percentage (%)	0	30	70					
<b>Output</b> 2.1 Climate resilient infrastructure for sustainable water usage and enhanced access to markets	<b>2.1.5 Roads constructed, rehabilitated or upgraded</b>				MIS	Annual	PMU	Provincial governments integrate other financial resources as cofinancing for infrastructure investment. No major change in financial climate, lending terms
	Length of roads -	0	100	260				
	<b>1.1.2 Farmland under water-related infrastructure constructed/rehabilitated</b>				MIS	Annual	PMU	
Hectares of land - Area (ha)	0	8000	15000					
<b>Output</b> 2.2 Rural producers and enterprises access RF services for VC development	<b>1.1.5 Persons in rural areas accessing financial services</b>				MIS	Annual	PMU	Private investors are interested in investing in business opportunities in smallholders agriculture along conditions promoted by the programme
	Total persons accessing financial services - savings - Number of people	0	8000	17000				
<b>Output</b> 2.3 Smallholder farmers invest in climate smart agriculture (CSAT)	<b>3.1.1 Groups supported to sustainably manage natural resources and climate-related risks</b>				MIS	Annual	PMU	Farm households Producer groups are interested in inclusive value chain, and are able to finance their part of the investment facility
	Groups supported - Groups	0	2500	4000				

## Integrated project risk matrix

<b>Country Context</b>	<b>Moderate</b>	<b>Moderate</b>
<b><i>Political Commitment</i></b>	<b><i>Moderate</i></b>	<b><i>Moderate</i></b>
<b>Risk:</b> Government is unable to provide the resources from implementation of the NTPs, the Resolution 120, Decision 324, and Decision 825 in MKD.	Moderate	Moderate
<b>Mitigations:</b> Agreements on funding targets and modality are included in the design report and financing agreement. Include explicit text in the Financing Agreement on counterpart funding – including district levels – and loan recovery.		
<b>Governance</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> Governance systems are in place and functioning well. Corruption is a concern, albeit recent policies brought improvements.	Moderate	Moderate
<b>Mitigations:</b> IFAD exercises close supervision and audit of project expenditures and processes.		
<b>Macroeconomic</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> External shocks risk macro-economic stability such as USA-China trade war and COVID19 induced restrictions on global and national markets.	Moderate	Moderate
<b>Mitigations:</b> CSAT invests in value chain that target national market demand. They will be less affected from external shocks. Market information system are building up in Viet Nam , including those supported under CSAT, and they provide better information to producers and traders to respond to oncoming market fluctuations. In addition, a covid-19 grant has been obtained with UNIDO to facilitate adoption of digital innovations which have proved crucial to mitigate some of covid impacts on value chain and extension services.		
<b>Risk:</b>	Moderate	Moderate



The COVID-19 pandemic impacts stronger than anticipated on the economy; public revenues are reduced and Government may not be able to provide sufficient funds to the provinces for development programmes like CSAT		
<b>Mitigations:</b>  The Government of Viet Nam has managed well the COVID pandemic, as reflected by just 5119 total COVID cases (May 23 2021), and sustained economic growth. There is high commitment from GoV and two provinces. Loan agreement signed and enforced by GoV and IFAD to ensure sufficiently provided fund for project.		
<b><i>Fragility and Security</i></b>	<b><i>Moderate</i></b>	<b><i>Moderate</i></b>
<b>Risk:</b>  Viet Nam is highly exposed to climate change induced shocks. Government has managed COVID19 extremely well thus far. The political system is robust.	Moderate	Moderate
<b>Mitigations:</b>  Government institutions are well organized and experienced in mitigating disasters. CSAT integrated resilience approach shall also help address various economic and environmental shocks.		
<b>Sector Strategies and Policies</b>	<b>Substantial</b>	<b>Moderate</b>
<b><i>Policy alignment</i></b>	<b><i>Moderate</i></b>	<b><i>Moderate</i></b>
<b>Risk:</b>  Viet Nam has become a lower middle-income country, graduated to from IDA to less concessional IBRD terms in 2017. GoV has put in place new policies on ODA financing (Decree 56/2020) that reflect the new situation. New ODA type investments such as IFAD funded projects need to focus on infrastructure only. This policy prevents to apply common IFAD investments in capacities building of poor people. In turn, it makes it difficult to reach IFAD 's target groups effectively unless non-lending resources can be mobilized.	Moderate	Moderate
<b>Mitigations:</b>  The project design is fully aligned with Viet Nam's Agricultural Restructuring Plan, the New Rural Development Programme, the Resolution 120 and its decisions (324, 825). This enables CSAT to mobilise large domestic funds to co-finance capacity building and other 'soft' investments.		
<b><i>Policy Development and Implementation</i></b>	<b><i>Substantial</i></b>	<b><i>Moderate</i></b>
<b>Risk:</b>	Substantial	Moderate

Key risk for the Mekong Delta and the IFASD target groups is a lack of coordination for implementing key policies such as resolution 120.		
<b>Mitigations:</b>  CSAT promotes strong institutional linkages through coordinated inter-provincial planning to the Agricultural Transformation Programme and the Mekong Delta Plan.		
<b>Environment and Climate Context</b>	<b>Substantial</b>	<b>Moderate</b>
<b><i>Project vulnerability to environmental conditions</i></b>	<b><i>Substantial</i></b>	<b><i>Moderate</i></b>
<b>Risk:</b>  CSAT's investment in infrastructure may cause negative environmental impacts including forest clearance, air pollution, over-use of water. CSAT's supports to agricultural value chain development may coincide with a greater use of pesticides, herbicides, chemical fertiliser and plastics.	Substantial	Moderate
<b>Mitigations:</b>  CSAT develops Environment and Social Management Framework (ESMF) which guides the preparation of site-specific Environmental and Social Management Plan (ESMP) and Free Prior and Informed Consent (FPIC) procedures to ensure environmental and social assessment and consultation are done for the sub-project implementation. This aims to mitigate the potential adverse impacts from project interventions, or reduce them to an acceptable level. CSAT promotes CSA practices, including the use of organic fertilisers, pest and weed control, among others. Market opportunities exist for expanding organic production of high value crops. Extension efforts focus on minimizing potential negative impacts arising from agricultural value chain development.		
<b><i>Project vulnerability to climate change impacts</i></b>	<b><i>Substantial</i></b>	<b><i>Moderate</i></b>
<b>Risk:</b>  The SECAP review note classifies the Project as High under the climate risk category. In-depth climate risks analysis foresee increasing temperature, change in rainfall patterns, and increasing risks of sea level rise. Risks for investments in infrastructure and crops would be substantial if adaptation measures such as CSA were not adopted.	Substantial	Moderate
<b>Mitigations:</b>  CSAT promotes a number of risk mitigation measures: (i) Climate and environmental risks are addressed in SEDP and VCAP; (ii) Provincial and sectoral climate change action plans		

are updated; (iii) CSA is widely promoted and supported through capacity building, learning and dissemination; and (vi) Requirement for preparation of site-specific ESMPs for sub-projects which will incorporate specific mitigation measures to address climate risks from proposed interventions.		
<b>Project Scope</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Project Relevance</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b>  CSAT is not responding adequately to key challenges and related, recent policies on the Mekong Delta.	Moderate	Moderate
<b>Mitigations:</b>  CSAT is fully aligned with key policies: Resolution 120 and MDP. Domestic funding amounts to about 30 per cent. Intensive consultation process took place. Strong financial contribution as national co-finance is about 39 per cent of which GoV provides about 10 per cent.		
<b>Technical Soundness</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b>  The project activities require coordination and planning, and institutions may not have capacities.	Moderate	Moderate
<b>Mitigations:</b>  (i) Establishment of effective management and coordination structures in two provinces is well established; (ii) Ownership and lead by provincial governments (PPC); (iv) improvement of existing planning and technical instruments rather than new one.		
<b>Institutional Capacity for Implementation and Sustainability</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Implementation Arrangements</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b>  Lack of adequate human and financial resources. Challenges in terms of coordination capacities and costs considering the size of PMU (22 in each province), the number of partners including several financing partners with potential different reporting and planning requirements.	Moderate	Moderate
<b>Mitigations:</b>  Provincial governments and line agencies have committed sufficient funds for capacity building. CSAT will seek for additional funds such from the NTP-NRD. CSAT's PIM outlines implementation requirements in a step by step approach. Component 1.2 provides the capacity building for planning		

<p>and investments under CSAT. In addition, IFAD office provides overall backstopping in transversal functions such as financial management and M&amp;E and along missions. The proposed institutional arrangements are based on the foundation provided under the previous projects in the two provinces (i.e. DBRP, IMPP, AMD). These projects have demonstrated a solid track record of delivery of even complex tasks across province, district and commune structures. AMD, for instance, delivered very successfully on the combined IFAD loan and ASAP financing as well as other funding leveraged from other government programs. The actual size of the PMU is smaller than of AMD and builds on its exit strategy, with 22 people in each province without any additional district and commune personnel. This will ensure that project activities will be properly mainstreamed in the provincial government programmes of work.</p>		
<b>Monitoring and Evaluation Arrangements</b>	<b>Moderate</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>Inadequate M&amp;E system for planning and monitoring.</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>CSAT's M&amp;E system is embedded in the project management information system (MIS). It integrates information on project management, financial management, procurement and physical progress. It allows reporting in real time and serves as a platform for the large number of co-implementing agencies.</p>		
<b>Project Financial Management</b>	<b>Moderate</b>	<b>Low</b>
<b>Project Organization and Staffing</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>The organizational structure of the implementing agencies for AMD project, closing in Dec. 2020, are proposed to be used for the new project CSAT. (Ben Tre) There are five accounting staff working at the PMU namely: one Chief Accountant, three Accountants (two at district level and one at provincial level) and one Asset management and taxation officer cum Cashier, with required qualification and experience in managing foreign funded project since previous IFAD project. The Project deploys one full time accountant in each DPMU and part-time accountants with limited qualification and capacity have been recruited at commune level (CDB). Project FM staff have long-term contracts and are subject to annual performance reviews. The proposed organizational structures of the implementing agencies are found appropriate to the new Project.</p> <p>(Tra Vinh) There are five accounting staff working at the PCU namely: one Chief Accountant, three Accountants and one Cashier, with required qualification and experience in managing foreign funded project since previous IFAD project. For previous projects, project accountants (part-time) have</p>	Moderate	Low

<p>been staff have not been retained long-term (transferred to other departments).</p>		
<p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>- Further FM trainings are required to efficiently manage IFAD resources at all levels, for effective and efficient project operation support.</li> <li>- Functional review with clear division of responsibilities should be carried out to ensure allocating appropriate workload for FM staff at all levels</li> <li>- (Tra Vinh) Ensuring only full-time staff in Accounting positions (no regular transfers to other departments)</li> </ul>		
<p><b>Project Budgeting</b></p>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>The new GOV policy on ODA has curtailed the access to IFAD finance and consequently led to slow implementation of planned project activities. Due to previous GOV policy regarding foreign investment tightening and the COVID-19 situation, the AMD project implemented in the same province further experienced difficulties in fund allocation for 2019 and 2020 AWP/B.</p> <p>However, with the new GoV Decree No. 56/2020/ND-CP on management and use of ODA and preferential loans issued on May 25, 2020, GoV now aims at broader priorities for ODA projects of which could bring positive impacts on existing projects as well as possibility of new projects in Viet Nam.</p> <p>District/Commune level provides work/budget estimates (in Commune/District Socioeconomic Development Plans) to provincial level for the preparation of the AWP/B by PMU accounting department staff, with input from relevant stakeholders and the provincial Department of Planning and Investment. The PD provides clearance and shares AWP/B with PPC which subsequently shares with MoF and with IFAD for issuance of NOL. AWP/Bs have been timely provided by previous projects with same Borrower/LPA.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>The PCU, after consultations with project stakeholders, shall prepare its annual budget, linking all the planned activities to the cost categories outlined in Schedule II of the Financing Agreement; this exercise will take place in advance of the preparation of the national budget, to ensure that the required Government funds will be allocated and available on time. All financing contributions should be clearly stated in the budget to be submitted to internal for approval and to IFAD for non –objection.</p> <p>The LPA should make reasonable annual budgetary provisions</p>		

for IFAD funds and Counterpart funds in the National Budget, based on the AWP/B of the Project.		
<b>Project Funds Flow/Disbursement Arrangements</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Immediately after entry into force of the two Financing Agreements, the GoV is required to open and maintain two Designated Accounts (one for the Loan -BT and another one for Loan -TV in a commercial bank(s) denominated in loan denominating currency for financing the Project. The Designated Accounts will be operated by the Ministry of Finance (MoF) and administered following Imprest Account arrangements. Advances from this Financing must be segregated from other funds for the Project.</p> <p>The PMU in BT and TV shall open and maintain in their provincial treasuries the Project Accounts denominated in VND for Project operations. The Project Accounts shall be funded and replenished as necessary from the resources held in the Designated Account respectively, upon request of the PMU and in accordance with expenditures incurred under approved AWP/Bs.</p> <p>Viet Nam is already live on ICP and the platform will be used for submission of withdrawal applications. A new Management Information System (MIS) will be procured and implemented, in order to facilitate information flows, ensure appropriate approval structures and to improve efficiency for data retrieval and dissemination.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>The project should start working with the software company to initiate the process for implementing a new Management Information System (MIS), enabling the customization of an automatic review and approval process for the new project design.</p>		
<b>Project Internal Controls</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Contract register is in place. Supporting documents and related vouchers are traceable to most of the districts. Project FM operations at the PMU and district level undergo an annual internal audit (in the form of annual activities control/settlement) by officers of the provincial Department of Finance. As part of internal control procedures, the PMU need to provide a formal delegation of authority and clear segregation of duties among the project staff. In addition, the project's financial performance will be periodically reviewed.</p> <p>There are regular reconciliations of cash conducted, which is performed by someone other than the cashier. Annual physical verification of project assets will be performed by the</p>	Moderate	Low

Administrative Department and a logbook of leased vehicles will be kept (current practice for existing project).		
<p><b>Mitigations:</b></p> <p>The Provincial PCU shall make sure proper internal controls are defined and described in the project FM manual, as part of the PIM. Detailed control activities include a good transaction trail, personnel policies and competent project staff, segregation of duties, physical protection of assets, and timely progress and performance reporting.</p> <p>Supervision and monitoring during project implementation need to be exercised to ensure that the prescribed guidelines and requirements are being followed and complied with. fiduciary accountability and implementation efficiency</p>		
<b>Project Accounting and Financial Reporting</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>The ANNA accounting software has been adapted. However, there is a lack of integration and automation from commune level to the provincial level. Thus, all detailed transactions have been re-keyed in one by one by the financial team at PMU. In addition, there were delays in entering accounting transactions into the accounting software as the transactions are only input into the systems upon completion once all supporting documentations have been collected. Forms and reports required by the GoV and IFAD were still manually prepared outside the system. Furthermore, there is no segregation of duties built into the accounting system.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>- Customize accounting software, as part of the implementation of a new MIS to enable an integrated environment, and to permit computerized consolidation;</li> <li>- Set up an automation of system reports and forms as required by GoV and IFAD i.e. financial statements and withdrawal applications submitted to IFAD</li> </ul>		
<b>Project External Audit</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Current project has been audited by private Auditing Firm which was procured through competitive bidding process (AASC Auditing Firm Co. Ltd- same auditor for past 5 years). The audit is carried out on the basis of International Standards on Auditing. Annual audit reports have been submitted on time. The auditors have expressed Unqualified Opinion on annual Financial Statements over the project implementation of 5 years.</p>	Moderate	Low
<b>Mitigations:</b>		

The auditor should be appointed before the start of the financial year to be audited. This is to allow the auditor sufficient time to plan and carry out a comprehensive examination of the recipient's financial records and accounts.		
<b>Project Procurement</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Legal and Regulatory Framework</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b>  The Borrower's regulatory and institutional capacity and practices (including compliance with the laws) are inadequate to conduct the procurement in a manner that optimizes value for money with integrity and prevents corruption.	Moderate	Moderate
<b>Mitigations:</b>  IFAD implements a zero tolerance to corruption policy. IFAD provides no-objection to the annual project procurement plans, prior review of large procurement proposals, and ex-post procurement checks. IFAD policies demand the use of competitive procurement methods for projects. Projects should provide consolidated procurement information on the provincial procurement website and project website (opportunities and awards). Project conducts prior and ex-post reviews, annual audits to strengthen enforcement of the debarment system.		
<b>Accountability and Transparency</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b>  Accountability, transparency and oversight arrangements (including the handling of complaints regarding, for example, SH/SEA and fraud and corruption) are inadequate to safeguard the integrity of project procurement and contract execution, leading to the unintended use of funds, misprocurement, SH/SEA, and/or execution of project procurements outside of the required time, cost and quality requirements.	Moderate	Moderate
<b>Mitigations:</b>  Project requests bidders, contractors/ service providers/ suppliers to sign Self Certification Form on anticorruption, sexual harassment, sexual exploitation and abuse as a part of bids/ proposals and contract documents. Government policies promotes e-procurement as a main procurement modality. Conduct prior and ex-post reviews to strengthen enforcement of the debarment system. Provide consolidated procurement information on the procurement website and project website (opportunities and awards).		
<b>Capability in Public Procurement</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b>	Moderate	Moderate



<p>The implementing agency does not have sound processes, procedures, systems and personnel in place for the administration, supervision and management of contracts resulting in adverse impacts to the development outcomes of the project.</p>		
<p><b>Mitigations:</b></p> <p>Provincial government should retain high performing AMD procurement professionals to support full time and intermittently. Project should provide training and periodic coaching to project and sub-national project staff. A project procurement manual has been prepared in draft and be finalized before start-up. It details guidance for different procurement methods in compliance with IFAD project procurement guidelines.</p>		
<p><b>Public Procurement Processes</b></p>	<p><b>Moderate</b></p>	<p><b>Moderate</b></p>
<p><b>Risk:</b></p> <p>Procurement processes and market structures (methods, planning, bidding, contract award and contract management) are inefficient and/or anti-competitive, resulting in the misuse of project funds or sub-optimal implementation of the project and achievement of its objectives.</p>	<p>Moderate</p>	<p>Moderate</p>
<p><b>Mitigations:</b></p> <p>Carry out coaching, on-the-job trainings and refresher trainings on procurement (IFAD project procurement guidelines and manual, ICP, NOTUS, e-procurement). PMUs monitor and update regularly implementation progress of the procurement plan with both planned and actual data. IFAS provides close supervision.</p>		
<p><b>Environment, Social and Climate Impact</b></p>	<p><b>Low</b></p>	<p><b>Low</b></p>
<p><b>Biodiversity Conservation</b></p>	<p><b>Low</b></p>	<p><b>Low</b></p>
<p><b>Risk:</b></p> <p>VCAP promotes land use change/transformation that would result in further loss/degradation of habitat, forest cover or, soils; environmentally sensitive and/or vulnerable to natural disaster.</p>	<p>Low</p>	<p>Low</p>
<p><b>Mitigations:</b></p> <p>CSAT promotes eco-friendly production/certification (e.g. eco-shrimp, mangrove clam) that increases the biodiversity of the region. Sub-projects, notably public infrastructure investments, will avoid environmentally sensitive areas and special areas for biodiversity conservation.</p> <p>Appendix 1 of the ESMF to ensure that all interventions in sensitive areas (including infrastructure and other activities)</p>		

will entail an upgrade to Category A, providing these are not coordinated with DONRE.		
<b>Resource Efficiency and Pollution Prevention</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Risk:</b> Hi-tech aquaculture production results in water pollution.	Substantial	Moderate
<b>Mitigations:</b> Value chain planning for each value chain will address directly the risks of pollutions and propose immediate solutions, otherwise proposed investments with high risk of pollution will be discard. CSAT also promotes water treatment solutions to make use of waste water and promotes water use efficiency.		
<b>Cultural Heritage</b>	<b>Low</b>	<b>Low</b>
<b>Risk:</b> Infrastructure causes destruction / pollution to the cultural heritage (e.g. Khmer pagoda)	Low	Low
<b>Mitigations:</b> CSAT invests in small scale infrastructure and will avoid sub-projects that have potential adverse impacts on cultural heritage. The project Grievance Redress mechanism ensure that complaints are addressed to rectify decisions and malpractice. SEDP and VCAP ensure full participation of stakeholders to prevent inappropriate investments.		
<b>Indigenous People</b>	<b>Low</b>	<b>Low</b>
<b>Risk:</b> (for Tra Vinh only) Risk of social, or economic impacts on the non Kinh ethnic group, including threats to or the loss of resources of historical or cultural significance.	Low	Low
<b>Mitigations:</b> The approach to the non-Kinh ethnic groups is consistent with IFAD's policy on ethnic minorities. Cultural differences will dictate the approach adopted. Local languages will be used in all village meeting, planning and extension sessions. District teams responsible for implementation will reflect gender balance, and their members will have command of ethnic languages. Capacity building tools will be developed in the languages of the main ethnic groups and take into consideration cultural differences. Special efforts will be made to recruit project extension agents speaking ethnic groups languages and in mobilizing and mentoring students from the ethnic schools.		
<b>Labour and Working Conditions</b>	<b>Low</b>	<b>Low</b>

<p><b>Risk:</b></p> <p>Child labour, forced labour, ethnicity based discrimination, overtime working, poor working conditions.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>CSAT documents and communicates to all employers and workers within the value chain regarding their working conditions and terms of employment. CSAT promotes transparent contract arrangement including wages and benefits, hours of work, overtime arrangements and overtime compensation, and leave for illness, maternity, vacation or holiday, that at a minimum comply with national law. This includes respecting a collective bargaining agreement with a workers' organization if there is such an agreement. On the risk of child labor, CSAT will prevent the use of child labor and ensure compliance with the government's labor laws and related international treaty obligations. This has been included as one of the mitigation measures under the ESMF (see Appendix 3 – ESMP for climate resilient infrastructures under the issue on worker and public safety). Relatedly, compliance with national laws and ILO standards on child labor and labor rights will be closely monitored by the PMU. Awareness will be raised on the issue and relevant clauses will be included in all contracts with service providers. Additionally, we will also include the similar mitigation measure in the General ESMP as recommended.</p>		
<p><b>Community Health and Safety</b></p>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Overuse of chemicals and pesticides for production which affects community health and food safety.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>Food safety and international standards/certification are included from value chain planning with strict monitoring and evaluation.</p>		
<p><b>Physical and Economic Resettlement</b></p>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Forcibly/voluntarily displaced households due to infrastructure constructions.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>CSAT invests in small and climate resilient infrastructure and will avoid sub-projects that may cause physical resettlement. ESMF is in place to ensure the conformation of infrastructure investment to SECAP/Gov policies. FPIC and Grievance redress are included in ESMP and ESMF and ensure the voice of communities are raised and complaints addressed in due fashion. Additionally, FPIC, Implementation Plan and EM plan</p>		

have been included in the design (i.e. Appendices 4 and 5 of the SECAP, respectively).		
<b>Greenhouse Gas Emissions</b>	<b>Low</b>	<b>Low</b>
<b>Risk:</b>  Methane (CH <sub>4</sub> ) and Nitrous oxide (N <sub>2</sub> O) emitted during waste decomposition in landfills, land-use change, digestive processes in livestock, and agriculture.	Low	Low
<b>Mitigations:</b>  CSAT promotes climate smart agriculture technology to reduce GHG emissions. Climate informed SEDP builds capacity of stakeholders on climate change mitigation and adaptation.		
<b>Vulnerability of target populations and ecosystems to climate variability and hazards</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b>  The project's groups such as the poor and climate change vulnerability people, and ecosystem in some project areas, especially those in coastal districts, may face problems resulted from increasing climate variability and hazards (i.e., sea level rise, SWI, storms, long-lasting/heavy rain, and landslide, etc.).	Moderate	Moderate
<b>Mitigations:</b>  Regional integrated planning and Convergent Value chain Planning take into account of agricultural transformation, climate change resilient. Subsequently, value chain investments will be risk mitigation and/or avoidance.		
<b>Stakeholders</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Stakeholder Engagement/Coordination</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b>  Selected VC commodities exclude poor households; lack of consultation/ inclusion of perspectives of rural households, esp., vulnerable households (EM, women, youth, elderly).	Moderate	Moderate
<b>Mitigations:</b>  As a proven practice form the AMD project, CSAT engages in an participatory investment planning process, from "bottom-up" commune, district and provincial levels. It captures local knowledge and improved understanding of priorities, vulnerabilities, risks and potential impacts. The planning and targeting practice identifies targeted rural households and analyses requirements to optimize participation of disadvantaged rural households.		
<b>Stakeholder Grievances</b>	<b>Moderate</b>	<b>Moderate</b>

<p><b>Risk:</b></p> <p>Stakeholders are unhappy about project investments, especially public infrastructure (e.g. elite capture).</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>Government has a grievance policy and mechanism in place. CSAT is building on it to capture and address target groups complaints on (i) being left out of consultation process. Non compliance to agreed development plans; (ii) misuse/ misappropriation of assets (land, water); (iii) misuse of projects funds e.g. corruptive practice. Ensure full participation of stakeholders in all project consultation and planning processes. Such systems are included in ESMF as well.</p>		