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**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**Executive Board – Eighty-Third Session**  
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**REPORT AND RECOMMENDATION OF THE PRESIDENT**

TO THE EXECUTIVE BOARD ON A PROPOSED FINANCIAL ASSISTANCE TO THE

**SOCIALIST REPUBLIC OF VIET NAM**

FOR THE

**DECENTRALIZED PROGRAMME FOR RURAL POVERTY REDUCTION  
IN HA GIANG AND QUANG BINH PROVINCES**



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**CURRENCY EQUIVALENTS**

Currency unit	=	Dong (VND)
USD 1.00	=	VND 15 570
VND 1.00	=	USD 0.00006423

**WEIGHTS AND MEASURES**

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m <sup>2</sup> )	=	10.76 square feet (ft <sup>2</sup> )
1 acre (ac)	=	0.405 hectare (ha)
1 ha	=	2.47 ac

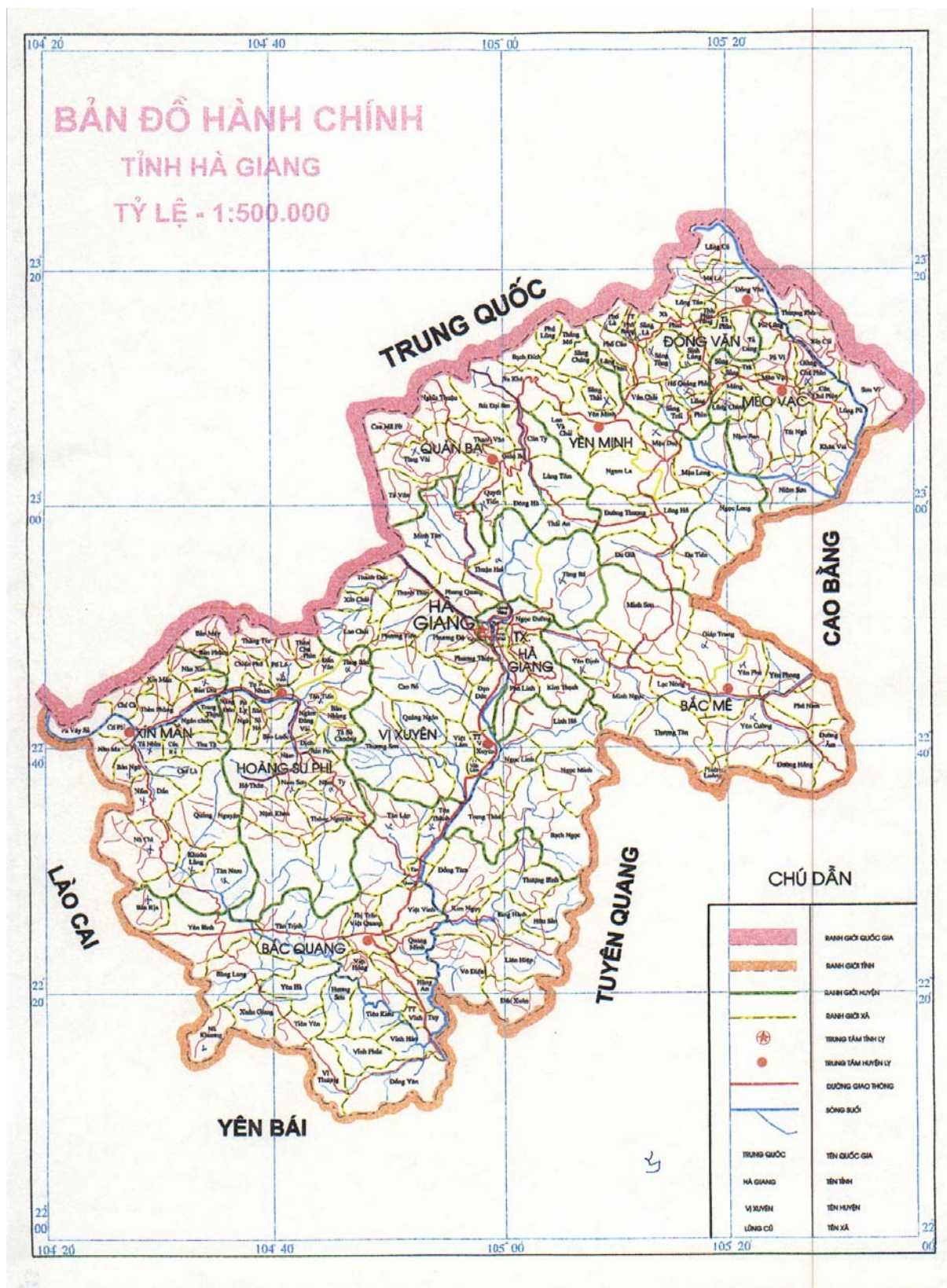
**ABBREVIATIONS AND ACRONYMS**

CPMU	Commune Programme Management Unit
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
CSG	Credit and Savings Group
DPMU	District Programme Management Unit
DPRPR	Decentralized Programme for Rural Poverty Reduction
FLO	Field Liaison Office
LDB	Local Development Budget
M&E	Monitoring and Evaluation
PPC	Provincial People's Committee
PPMU	Provincial Programme Management Unit
PRA	Participatory Rural Assessment
RIMS	Results Impact Management System
SIDA	Swedish International Development Agency
SMBs	Self Management Boards
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
VBSP	Viet Nam Bank for Social Policy
VIDB	Village Infrastructure Development Budget
VMG	Village Management Group

**GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIET NAM****Fiscal Year**

1 January – 31 December

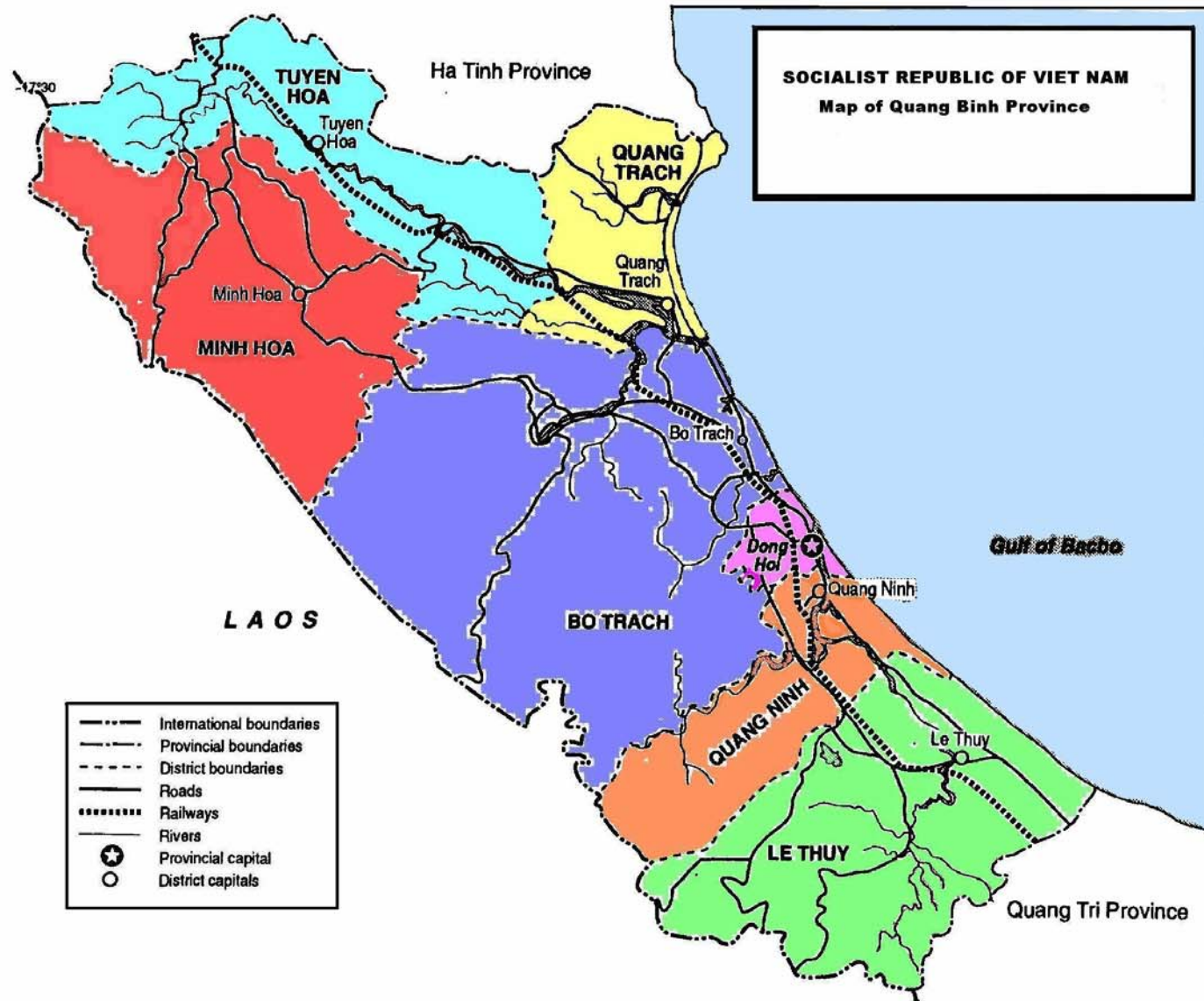
MAP OF THE PROGRAMME AREA – HA GIANG



Source: IFAD

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 OF THE PROGRAMME AREA – QUANG BINH



Source: IFAD

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.

**SOCIALIST REPUBLIC OF VIET NAM**

**DECENTRALIZED PROGRAMME FOR RURAL POVERTY REDUCTION  
IN HA GIANG AND QUANG BINH PROVINCES**

**FINANCING SUMMARY**

<b>INITIATING INSTITUTION:</b>	IFAD
<b>RECIPIENT:</b>	Socialist Republic of Viet Nam
<b>EXECUTING AGENCY:</b>	Ministry of Planning and Investment (MPI) Provincial People's Committee (Ha Giang) Provincial People's Committee (Quang Binh)
<b>TOTAL PROGRAMME COST:</b>	USD 38.78 million
<b>AMOUNT OF IFAD FINANCING:</b>	<b>Loan:</b> SDR 16.10 million (equivalent to approximately USD 24.12 million) <b>Grant:</b> SDR 430 000 (equivalent to approximately USD 631 000)
<b>TERMS OF IFAD LOAN:</b>	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
<b>CONTRIBUTION OF RECIPIENT:</b>	USD 6.05 million USD 5.26 million (proceeds from debt swap with Government of Norway)
<b>CONTRIBUTION OF BENEFICIARIES:</b>	USD 2.72 million
<b>APPRAISING INSTITUTION:</b>	IFAD
<b>COOPERATING INSTITUTION:</b>	United Nations Office for Project Services (UNOPS)



**PROGRAMME BRIEF**

**Poverty situation and target group.** In both Ha Giang and Quang Binh Provinces, the main causes of poverty include: (i) inadequate productive resources because of small farm sizes and poor soil quality; (ii) limited capacity to save and restricted access to formal credit; (iii) limited production skills and knowledge resulting in low productivity from available resources; (iv) limited availability of and access to forest resources in upland areas; (v) limited availability of wage-labour opportunities and employment; (vi) limited potential for and development of off-farm income generation activities, especially in upland areas; (vii) poor market access; (viii) poorly developed village-level infrastructure; (ix) excessive exposure to risk associated with diseases, unwanted births, crop failure, livestock deaths and natural disasters; and (x) in some parts of the programme area, environmental degradation. In upland areas, there are additional problems of physical isolation, which limits interaction with the outside world, and social isolation, which is compounded by language and cultural differences among ethnic groups. The poor have little understanding of their rights and inferior access to due legal processes. The above factors combine to make poor households particularly vulnerable to seasonal hardships, household-specific shocks and community-wide crises.

The target group is comprised of poorest households and women in 93 identified poorest communes in nine rural districts of Ha Giang and Quang Binh Provinces. These 93 communes comprise 841 villages and 69,000 households, of which 29% are officially poor. The primary target group will be officially-designated hunger and poverty households in 45 project communes. Most of these are ethnic minority households. Women are an important target group because of their relatively disadvantaged position in relation to representation in power structures, workload, and access to resources.

**Programme activities benefiting the target group.** The programme incorporates a number of specific mechanisms to ensure that activities are targeted to the poorest households and women, and that they are able to participate. These include: (i) selecting communes where poverty rates are highest; (ii) apportionment of programme resources among the villages using criteria weighted in favour of poorer villages; (iii) providing poor households with preferential access to credit, training and input-supply opportunities; (iv) providing poor households with preferential access to wage labour opportunities, particularly in infrastructure development; (v) tailoring programme activities and support programmes to be more attractive to poor households; (vi) reserving a portion of local development budget funding for women-identified activities; and (vii) ensuring that women are fully represented in needs assessments and decision-making processes. There will be specific consideration of capacity-building and information dissemination to ensure that the poor participate in the programme. Specific benefits will include: (i) improved food security and living standards for the poorest households; (ii) development of strong grass-roots institutions that are better able to manage community resources and better equipped to engage in the development process; (iii) improved institutionalization of decentralized development approaches; (iv) improved socio-economic status of women; (v) improved village-level infrastructure; and (vi) improved management of natural resources. The integration of activities and benefits in a programmatic approach presents a practical and replicable model of highly decentralized community-driven development, helping to operate the Government's 'grassroots democratisation' legislation.<sup>1</sup>

**Beneficiary participation.** It is estimated that well over 50% of total programme funding will be under the direct control of target communities. This flexibility is achieved through the establishment of highly flexible local development budgets under the direct control of target communities and the Development Reserve Fund, for which usage is determined at mid-term review. Highly decentralized, participatory implementation processes that emphasise basic principles of transparency and accountability, involving representatives from target groups in programme monitoring and feedback mechanisms, will be put into practice.

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<sup>1</sup> Decree no. 29, 'Regulation on the Exercise of Democracy in Communes'.



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DECENTRALIZED PROGRAMME FOR RURAL POVERTY REDUCTION IN HA GIANG  
AND QUANG BINH PROVINCES**

I submit the following Report and Recommendation on a proposed financial assistance to the Socialist Republic of Viet Nam comprising a loan of SDR 16.10 million (equivalent to approximately USD 24.12 million) on highly concessional terms and a grant of SDR 430 000 (equivalent to approximately USD 631 000) to help finance the Decentralized Programme for Rural Poverty Reduction in Ha Giang and Quang Binh Provinces. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one percent (0.75%) per annum. It will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

**PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY<sup>1</sup>**

**A. The Economy and Agricultural Sector**

1. The Socialist Republic of Viet Nam stretches for 1 650 km along the eastern seaboard of the Indochina Peninsula with a total land area of 331 689 km<sup>2</sup> including two large deltas – the Red River Delta in the north and the Mekong Delta in the south – where nearly 75% of the rural population is concentrated. The total population in 2002 was estimated at 80.5 million; the annual population growth rate has more than halved from 3.1% in 1960-70 to the current level of 1.2%, and continues to slow. Much of the country is mountainous with only 21% of the land area being cultivated. Between 1992 and 1997, real gross domestic product (GDP) growth consistently remained above 8% per annum; it has averaged at 7.1% over the past 2 years and is projected to remain near 7-8% for the next decade. Viet Nam is primarily an agrarian society: 65% of the labour force works in agriculture, forestry and fisheries. Agricultural output accounts for 22% of GDP<sup>2</sup> and contributes by 25% to the value of total exports. Despite the fact that the share of agriculture in the GDP has steadily decreased by over 40% in 1991, growth has been robust, averaging over 4% during the last decade. Production increases are slowing down, with an average of only 0.13 ha of cultivatable land per capita, thus making land area available per capita one of the lowest in the world.

2. The Viet Nam Living Standards Surveys and Multipurpose Households Surveys show that total poverty has fallen from more than 70% in 1990 to 29% in 2002. Viet Nam has managed to halve poverty 11 years before the Millennium Development Goals target of 2015. But it remains a poor country with a per-capita GDP of USD 468, and ranks 109 out of the 175 countries in the United Nations Development Programme (UNDP) Human Development Index, assessed in 2003. Progress achieved in reducing poverty remains fragile and a small shift in the definition of poverty has had a large effect on the poverty rate. The majority of the near-poor are vulnerable to shocks caused by events such as family illness or adverse climatic events. There are considerable regional variations in the distribution of poverty and a growing divergence in poverty rates for rural and urban areas, with over 90% of all poor households living in rural areas. Poverty is particularly high among ethnic minorities; while accounting for 14% of the total national population, they account for 29% of the poor.

<sup>1</sup> See Appendix I for additional information.

<sup>2</sup> Industry and construction accounts for 40% and services for the remaining 38%.

## B. Lessons Learned from Previous IFAD Experience

3. Since 1993, IFAD has extended five loans<sup>3</sup> to the Government of Viet Nam on highly concessional terms for a total amount of approximately USD 80.7 million, directly benefiting an estimated 1.4 million people. Beginning with the first IFAD-supported project in Viet Nam, which built on participatory approaches developed in a Swedish International Development Agency (SIDA) initiative, all projects have been innovating highly process-driven approaches that are gradually devolving authority to the local level. Successful implementation of participatory approaches and decentralized project management has required a major emphasis on building the capacity of grass-roots institutions and government structures. These projects have promoted women's participation in public decision-making processes and community development funds were used specifically to meet women-identified needs. Although project successes have been replicated in the country by other donors, their transfer into national policies and programmes has been limited and specific mechanisms need to be included to facilitate this linkage. Lessons learned are being developed towards a more programmatic strategy to ensure the impact of a decade of activity.

## C. IFAD's Strategy for Collaboration with Viet Nam

4. **Viet Nam's policy for poverty eradication.** Poverty alleviation has been a central goal of the Government since unification and one of the main objectives of the *doi moi* reforms launched in 1986. The Government's strong commitment has been re-affirmed in the Socio-Economic Development Strategy (2001–2010) and the Five-Year Socio-Economic Development Plan (2001–2005). In addition, the Comprehensive Poverty Reduction and Growth Strategy (CPRGS),<sup>4</sup> approved in May 2002, translates development strategies into concrete measures. The Government is committed to decentralization, as reflected in Decree 29, revised in 2003 as Decree 79, the 'Regulation on the Exercise of Democracy in Communes'. Finally, the Government is implementing a number of programmes that provide support to vulnerable populations in the areas of infrastructure (Program 135) and social and livelihood support (Program 133) to coastal communes and ethnic minorities.

5. **Poverty-eradication activities of other major donors.** Through its commitment to poverty reduction and economic reform, the Government of Viet Nam has successfully attracted foreign development assistance. Ongoing donor-funded projects have provided implementation experience and complementarities in the programme area. In Ha Giang Province, these include: (i) the SIDA-funded Ha Giang Poverty Alleviation Programme 2003-08 (Chia Se: Ha Giang); (ii) the Danish International Development Assistance (DANIDA)-funded Post-Harvest Programme for the North; (iii) the Caritas-funded Quan Ba Community Development Project; and (iv) ActionAid-funded programmes. In Quang Binh, they include: (i) the German Agency for Technical Cooperation (GTZ)-funded Sustainable Management of Natural Resources in Central Viet Nam project; (ii) the Asian Development Bank-funded Central Regions Livelihood Improvement Project; (iii) the proposed German Credit Institution for Reconstruction (KfW)-funded project in the buffer zone around the Phongnha Ke Bang National Park; (iv) the microcredit programme funded by the Netherlands Development Organisation; and (v) the microcredit programme funded by the Dutch non-governmental organization Interchurch Organisation for Development Co-operation (ICCO). There is a wealth of experience in participatory development for which partnerships could use to promote adoption of these approaches at the provincial level.

6. **IFAD's Strategy in Viet Nam.** In Viet Nam, IFAD's strategy promotes the objectives stated in the *Strategic Framework for IFAD 2002-2006* and the regional strategy for Asia and the Pacific: a pro-poor policy environment and allocation of a greater volume of resources to the poor living in marginalized areas with limited agricultural potential and limited access to markets, especially women. Building on its

<sup>3</sup> The Participatory Resource Management Project – Tuyen Quang Province; the Agricultural Resources Conservation and Development Project in Quang Binh Province; the Ha Giang Development Project for Ethnic Minorities; the Ha Tinh Rural Development Project; and the Rural Income Diversification Project in Tuyen Quang Province.

<sup>4</sup> Viet Nam's version of the Poverty Reduction Strategy Paper

ongoing portfolio, IFAD's country programme is evolving a programmatic approach with emphasis on a catalytic role through establishing partnerships. The rural sector performance assessment in the performance-based allocation system will serve as an instrument for systematic and transparent dialogue with the Government and donors. The IFAD's country strategy and opportunities paper (COSOP) emphasizes the need to develop and test innovative approaches to poverty reduction that can be replicated and scaled up by the Government and other donors, and to be a catalyst in the implementation of the CPRGS. The IFAD country programme will contribute to the implementation of the CPRGS by: (i) operationalizing the Government's 'grassroots democratisation' legislation; (ii) promoting sustainable economic growth along with the attainment of social progress and equity; (iii) promoting human development and reduction of inequality; (iv) expanding social protection and safety nets for poor people; and (v) establishing a system of qualitative and quantitative socio-economic indicators to monitor and evaluate the implementation of the CPRGS.

### **Programme Rationale**

7. The Decentralized Programme for Rural Poverty Reduction (DPRPR) aims to operationalize the Government's vision of community empowerment and decentralization by generating replicable and practical models. The DPRPR is consolidating the lessons learned from two previous IFAD-financed projects in Quang Binh and Ha Giang Provinces. It is bridging the gap between national-level policy and provincial-level decentralization by projecting: province-specific local priorities and constraints; feasible development options and implementation modalities; and appropriate policy regimes and institutional alternatives at the national level for wider proliferation of decentralized approaches.

## **PART II - THE PROGRAMME**

### **A. Programme Area and Target Group**

8. This programme covers two provinces with a common policy orientation and strategic objectives while retaining a design that specifically addresses the development priorities and institutional arrangements of each province. In Ha Giang, it will cover five of the ten rural districts in the province: three districts in Zone 1 and two districts in Zone 2. Within the five districts, 45 communes, in which the overall poverty rate is 29.3%, will be covered. Most poor households are food-insecure, and commonly have food deficit periods of four to five months. These periods are especially common among the H'Mong and Dzaio ethnic minorities, who mainly rely on production of upland crops, with limited access to paddy. In Quang Binh, the programme will cover four of the six rural districts in the province. Within the four districts, 48 communes, with an overall poverty rate of 29.5%, will be covered. Within these communes, average poverty rates are higher for upland communes, at 37%, than for coastal and lowland or riverside communes, at 24-25%. Most poor households are food-insecure, with food deficit periods of two to three months a common occurrence. The primary target group in both provinces are the officially-designated poverty households in selected communes. Ethnic minorities and women are targeted because of their disadvantaged position with regard to household representation and community decision making, excess workload and inadequate access to resources.

9. The programme has a structured targeting strategy to ensure that resources reach the primary target group. These include: (i) selection of communes where poverty rates are highest; (ii) apportionment of programme resources within a commune using criteria favourable to poorer villages; (iii) triangulation of community-generated data through participatory wealth ranking with available Department of Labour, Invalids and Social Affairs data; (iv) preferential access to credit, training, input-supply opportunities and wage labour opportunities for poor households; (v) identification and prioritization of the needs of the poor, women and ethnic groups by conducting gender- and poverty-based participatory rural assessments (PRAs); (vi) a focus on low-risk investment interventions attractive to the poorest households; (vii) decentralized, participatory implementation processes emphasizing principles of transparency and accountability; (viii) involvement of representatives from target groups in monitoring and feedback mechanisms; (ix) reservation of a portion of local development budget (LDB) funding for women-

identified activities; (x) full representation of women in decision-making processes; and (xi) at least 30% of training seats reserved for women and poor people. The programme will facilitate greater participation of, and benefit to, ethnic minorities through an appropriate information strategy, enhanced representation, needs identification and prioritization, and sensitization of staff.

## B. Objectives and Scope

10. The programme goal is to improve the socio-economic status of the poorest households in Ha Giang and Quang Binh Provinces, with particular emphasis on the use of highly decentralized, community-driven development approaches operationalizing the Government's 'grassroots democratisation' legislation. This would be achieved by: (i) enhancing the capabilities of local people to become active stakeholders in the management of commune and village-level institutions; (ii) increasing the productivity and income levels of poor households, ethnic minorities and women, and improving their household food security; (iii) reinforcing the ongoing decentralization processes, with emphasis on village-level infrastructure; (iv) establishing decentralized programme management structures and delivery services responsive to the priorities of the target group; and (v) developing local capabilities to bridge the gap between national-level policies and provincial implementation of initiatives on decentralization.

## C. Components

11. **Capacity-Building for Decentralized Development (USD 5.55million or 15% of base cost).** The Commune Programme Management Unit (CPMU) is responsible for coordinating, implementing, monitoring, supervising and reporting activities at the commune and village levels. Village level institutions designated as Village Management Groups (VMGs) in Ha Giang and Self Management Boards (SMBs) in Quang Binh are responsible for identifying priority development needs, representing village interests at the commune level, and implementing programme activities. For each commune, implementation of activities will be spread over three years; capacity-building will be the major focus during the first year of implementation. Capacity-building will be based on needs identified at the commune and village levels, which can include training in management skills, financial administration, participatory planning and operation and maintenance of infrastructure. These will be financed from a LDB out of which: (i) 30% is to be allocated for activities at the commune level; (ii) 30% is for activities targeted specifically to women and children; and (iii) the remaining 40% is for village-level capacity-building activities. In order to safeguard equitable participation, information regarding relevant government regulations, programme processes and activities and the rights and responsibilities of beneficiaries will be distributed in all programme communes and villages in ethnic minorities' languages, where necessary.

12. As a sub-component, **capacity-building for local policy and programme development** will support local ownership of the decentralized development strategy. IFAD will provide grant financing to reinforce DPRPR in promoting an inclusive policy dialogue process that is province-led to: (i) draw key decision makers from the province and district to the commune and village levels; (ii) build the capacities of local institutions to move beyond providing implementation support and become active decision makers; (iii) develop discussion groups, exchange forums and other platforms to communicate and disseminate ideas and experiences; (iv) provide opportunities for disseminating locally developed policy and programme themes and priorities; and (v) create a policy interface between the province and the national level. The IFAD-supported field liaison office (FLO), which aims to engage in policy dialogue and upscale programme experience, will anchor activities at the national level.

13. **Production Support (USD 10.24 million or 28% of base cost).** The programme will adopt an integrated implementation approach through the: (i) development of rural financial services offsetting the possibility of decapitalization of the household asset base; (ii) improvement of basic livelihood activities related to agriculture, forestry, livestock and aquaculture; (iii) improvement of access to critical market infrastructure and market information, to enable farmers to venture into crops that yield better returns;

and (iv) assistance to households to diversify their income bases by exploring microenterprise opportunities and upgrading the skills of youths. After generating demand from participating households, implementation will proceed in three sequential stages for household-level interventions: (i) commune and village level activity selection and activity planning; (ii) demonstration of potential; and (iii) scaling up based on experience and marketing potential.

14. Rural financial services will reach the target group through: (i) credit and savings groups (CSGs), self-managed institutions formed by poor households to provide savings opportunities and loans for members to finance the start or development of income-generating activities; (ii) capacity building for CSG members, the Viet Nam Bank for Social Policy (VBSP) and other organizations to provide financial and non-financial services to CSG members and to form, train, monitor and supervise these groups; and (iii) institutional strengthening and policy dialogue at both the provincial and national level with VBSP to introduce best practices in rural finance, as detailed in the IFAD rural finance policy. In addition, the programme will support in-kind credit schemes to remote villages in which logistical difficulties would increase transaction costs to an unsustainable level.

15. For livelihood activities, the programme will support farming system development through improvement of seed varieties of local maize, high-yielding rice and soybean, including the establishment of commune seed banks. Fruit trees will be promoted on degraded lands and the periphery of homestead plots through the establishment of clonal ‘mother tree’ orchards, production of fruit tree seedlings on farm-based trials, and establishment of commune nurseries. The programme will support home gardening demonstrations, vegetable seedling nurseries and seeds supply to target households. Agro-forestry, afforestation and community-based forest management (CBFM) using culturally preferred forestry and agro-forestry species will be promoted. In Quang Binh, the programme will support allocation of agricultural land, sandy coastal land and unused or degraded forestland to individual poor households with the issuance of ‘red books’ in the names of both husbands and wives.

16. For livestock development, the programme will support breed improvement through distribution of high quality male cattle, buffalo and goats to selected households. It will establish systems for the rotation of animals and payments for bull services. It will also support the establishment of specialized pig-breeding households in selected communes to increase the supply of high quality piglets. Backyard poultry and duck breeding will be supported through the provision of chicks and low-cost technology for hatching and enhancing chicks’ survival rates. Special consideration will be given to the high incidence of animal disease, especially in remote areas, by appointing commune veterinary workers in all programme communes for the development of animal health services. Demonstrations by support services such as forage development and feed-processing will be linked to livestock development activities. In aquaculture, the Provincial Fisheries Seed Centres will be upgraded to increase the quantity and quality of fry and fingerling production, including demonstrations of fish culture in ponds, rice-fish culture, and cage culture. In Quang Binh, community-based fisheries management along rivers and in coastal areas will be promoted.

17. Marketing development will address the constraints on participating households by conducting a thorough marketing study of the programme area, building markets in nearby towns and disseminating market information on crops that hold potential in the area. Low-cost market information bulletins will provide information on demand for these crops, price and cultivation practices. Commune-level markets can be constructed under the **small-scale infrastructure development component**.

18. For microenterprise development in Ha Giang, the “business incubator approach” will be promoted, whereby businesses are set up and, if successful, ventures owned by members can be replicated. In Quang Binh, the Department of Industry has initiated pilot activities related to bamboo and rattan weaving, carving, rice noodle making and fish sauce making. Easy access to markets has facilitated uptake of these activities. The programme’s focus in Quang Binh will be to provide support for small-scale off-farm enterprises adding value to agricultural produce at the household level. A vocational

training activity will provide scholarships to youths from poor households in remote upland areas who are unable to access job-oriented education.

19. **Small-Scale Infrastructure Development (USD 14.70 million or 40% of base cost).** To provide a supportive regulatory environment, the Provincial People's Committees (PPCs) of both provinces will need to issue appropriate regulations and guidelines regarding financial management, institutional roles, scheme appraisal and approval, design and implementation, final approval and liquidation, and operations and maintenance responsibilities. CPMUs will be the investment owners of the schemes implemented in the 93 programme communes, and be responsible for a village infrastructure development budget (VIDB). For lowland and coastal communes in Quang Binh, the CPMU will initially be the investment owner, but ownership will gradually devolve to village-level SMBs. VMGs and SMBs will be assisted in identifying priority infrastructure works using participatory approaches with separately identified women's and men's priorities. Immediately after approval of village infrastructure workplans, user groups or scheme management committees will be established. In each commune, 60% of the poorest villages will be eligible for VIDB schemes. The mid-term review will identify the best-performing communes to be considered for additional financing from the Development Reserve Fund during programme years four to six.

20. **Programme Management (USD 5.14 million or 14% of base cost).** Provincial Programme Management Units (PPMUs) at the provincial level, District Programme Management Units (DPMUs) at the district level and CPMUs at the commune level will be established in Ha Giang and Quang Binh. Programme operations will be substantially decentralized to DPMUs and CPMUs; PPMUs will be responsible for planning, coordination and monitoring. The programme will fund: vehicles and equipment; salaries; salary allowances; vehicle operations and maintenance; travel allowances; administrative and office expenses; staff training; project coordination activities; project review activities to identify lessons learned and share them with the Government and other donors; and establishment of a monitoring and evaluation (M&E) system based on IFAD's Results Impact Management System (RIMS) and IFAD's M&E guidelines.

#### D. Costs and Financing

21. The total programme cost over a 6-year period, inclusive of contingencies, taxes and duties, is estimated at USD 38.78 million, of which 7% represents foreign exchange costs. Investment costs total 78% and recurrent costs amount to 22% of the total cost, estimated at August 2004 prices. Physical contingencies are included at a rate of 10% for civil works, and 5% for training and operations and maintenance costs. Price contingencies for local costs are based on the projected domestic inflation rate, estimated at 5% over the 6-year duration of the programme. For foreign costs, contingencies are estimated on the projected G-5 manufacturing unit value (MUV) index. In converting local costs (specified in VND) into equivalent USD costs, a constant purchasing power parity approach has been used.<sup>5</sup> The summary programme cost table is presented in Table 1.

22. Flexibility is a main feature of the programme, allowing programme management to respond to demand as articulated by target communities. Establishment of the capacity building LDB and the VIDB accounts for USD 12.37 million or 33% of base cost. An additional USD 1.17 million or 3% of the base cost has been placed in a Development Reserve Fund for reallocation to programme components after the mid-term review. Under the **production support component**, there is a provision for USD 700 000 of matching grants to CSGs to be used for activities directly identified by beneficiaries.

23. The proposed financiers of the programme are: IFAD (62.2%), the Government of the Socialist Republic of Viet Nam (15.6% plus an additional 13.6% in proceeds of a debt swap with the Government of Norway), and the beneficiaries (7.0%). The Government will finance 100% of all land purchase costs,

<sup>5</sup> This approach assumes that the VND will progressively devalue over the life of the programme, in line with the differential between projected international and local inflation rates.



salaries and allowances, 40% of operating costs, (excluding the maintenance costs associated with small-scale village infrastructure), and the tax and duty elements of all programme expenditures. Beneficiaries will make in-kind labour contributions to small-scale village infrastructure investments, including all maintenance costs associated with these investments. In addition, IFAD will provide grant financing of USD 631 000 for the **capacity-building for local policy and programme development sub-component** complementary to the **capacity-building for decentralized development component**. The Government has put an additional USD 5.27 million from proceeds of a debt-swap with the Government of Norway at the programme's disposal for specified activities. The financing plan is summarized in Table 2.

24. The following activities will be considered for retroactive financing: (i) engagement of technical assistance to guide development of the regulatory framework required for implementation of decentralization at the provincial level; (ii) start-up training for PPMU and DPMU staff; (iii) purchase of basic equipment for PPMUs and DPMUs; (iv) recruitment and training of community facilitator for programme year one (PY1) communes; and (v) needs assessments in PY1 villages with a ceiling of VND 600 million (equivalent to USD 385 000).

**TABLE 1: SUMMARY OF PROGRAMME COSTS<sup>a</sup>**  
(USD million)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Total Base Costs
<b>A. Capacity-Building for Decentralized Development</b>	4.737	0.213	4.949	4.0	13.0
1. Capacity-building for local policy and programme development	0.582	0.018	0.600	3.0	2.0
<b>Sub-total</b>	<b>5.319</b>	<b>0.230</b>	<b>5.549</b>	<b>4.0</b>	<b>15.0</b>
<b>B. Production Support</b>	9.248	0.991	10.239	10.0	28.0
<b>C. Small-Scale Infrastructure Development</b>	14.355	0.348	14.702	2.0	40.0
<b>D. Programme Management</b>	4.141	0.995	5.136	19.0	14.0
<b>E. Development Reserve Fund</b>	1.173	0.030	1.203	3.0	3.0
<b>Total base costs</b>	<b>34.235</b>	<b>2.594</b>	<b>36.830</b>	<b>7.0</b>	<b>100.0</b>
Physical contingencies	0.434	0.034	0.468	7.0	1.0
Price contingencies	1.418	0.068	1.486	5.0	4.0
<b>Total programme costs</b>	<b>36.088</b>	<b>2.696</b>	<b>38.784</b>	<b>7.0</b>	<b>105.0</b>

<sup>a</sup> Discrepancies in totals are due to rounding.

**TABLE 2: FINANCING PLAN<sup>a</sup>**  
(USD million)

Components	IFAD		IFAD Grant		Government		Proceeds from Debt Swap (Government of Norway)		Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amt	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
A. Capacity-Building for Decentralized Development	2.028	34.4			1.276	21.6	1.968	33.3	-	-	5.903	15.2	0.244	5.593	0.066
I. Capacity-building for local policy and programme development			0.631	1.6											
<b>Sub-total</b>	<b>2.028</b>	<b>34.4</b>	<b>0.631</b>	<b>1.6</b>	<b>1.276</b>	<b>21.6</b>	<b>1.968</b>	<b>33.3</b>	<b>-</b>	<b>-</b>	<b>5.903</b>	<b>15.2</b>	<b>0.244</b>	<b>5.593</b>	<b>0.066</b>
B. Production Support	7.898	72.9			1.232	11.4	1.704	15.7	-	-	10.834	27.9	1.035	9.574	0.224
C. Small-Scale Infrastructure Development	11.865	77.1			0.330	2.1	0.501	3.3	2.697	17.5	15.393	39.7	0.363	15.009	0.021
D. Programme Management	1.055	19.6			3.213	59.7	1.091	20.3	0.020	0.4	5.379	13.9	1.023	4.172	0.184
E. Development Reserve Fund	1.275	100.0			-	-	-	-			1.275	3.3	0.032	1.243	-
<b>Total disbursement</b>	<b>24.121</b>	<b>62.2</b>	<b>0.631</b>	<b>1.6</b>	<b>6.051</b>	<b>15.6</b>	<b>5.265</b>	<b>13.6</b>	<b>2.717</b>	<b>7.0</b>	<b>38.784</b>	<b>100.0</b>	<b>2.696</b>	<b>35.591</b>	<b>0.496</b>

<sup>a</sup> Discrepancies in totals are due to rounding.

### **E. Procurement, Disbursement, Accounts and Audit**

25. Goods and services will be procured in accordance with IFAD's Procurement Guidelines. The basic procurement methods applicable are: (i) local competitive bidding for vehicles, equipment, materials and consultancy services estimated to cost more than USD 10 000 but less than USD 100 000 equivalent, and civil works estimated to cost more than USD 20 000 equivalent; (ii) local shopping procedures for vehicles, equipment, materials and consultancy services estimated to cost USD 10 000 equivalent or less, and civil works estimated at USD 20 000 equivalent or less, after comparing invited bids from at least three suppliers; and (iii) direct contracting for office operating costs. For procurement contracting valued at USD 100 000 or more, especially in PY1, international competitive bidding will apply.

26. Given that implementation will take place in two different provinces under a single financing agreement, two separate Special Accounts will be established for loan proceeds, one for each sub-project. An initial deposit, equal to projected loan disbursements during the first six months of implementation, will be deposited into the accounts at the request of each PPMU. Subsequent replenishments of the Special Account will be effectuated through the submission of withdrawal applications by the PPMU. Programme accounts in VND will be opened at the provincial level and operated by the PPMU to finance payments to local contractors, suppliers and implementing agencies. Funds from the Special Account will flow quarterly through the Ministry of Finance's central official development assistance account in Hanoi to the programme account, in advance, according to the approved annual work plan and budget. The Government contribution (including debt-swap related funds) will also flow into this account. Funds for the commune-level LDBs will be channelled by PPMUs directly to CPMU accounts in district treasuries, according to approved work plans. A full set of accounts will be maintained by each PPMU, in accordance with IFAD's requirements and internationally accepted accounting standards. The accounts section of the PPMU will be responsible for periodic review of the implementing agencies' accounts to ensure they meet the required standards. An independent auditing institution, selected by the PPMU through competitive bidding, and approved by IFAD and the cooperating institution, will audit the programme accounts each year. The Certified Audit Report will be submitted to IFAD no later than four months after the end of each financial year.

### **F. Organization and Management**

27. At the national level, the Ministry of Finance, through the External Finance Department, will be responsible for coordination between the Government, IFAD and the cooperating institution. Programme management and implementation will be completely decentralized to the provincial and sub-provincial levels. At the provincial level, the PPCs of Ha Giang and Quang Binh will be the executing agencies for the respective sub-programmes. A Provincial Project Steering Committee (PPSC) will be established in each province to assist the PPC and PPMU in implementing the sub-programmes. Functions of the PPSC include policy formulation, planning, coordination, supervision and monitoring of project activities. PPMU will have overall programme management and coordination functions and will not be directly involved in decentralized implementation. In Quang Binh, coordinators will be designated within technical departments, whereas in Ha Giang, service providers will be competitively selected. Here, a written agreement will be entered into with the public or private service provider stipulating outputs, inputs, specifications, procedures, terms and conditions, exit and penalty clauses, responsibilities, enforcement or compliance mechanisms and costs. At the district level, DPMU will facilitate implementation of programme activities, providing technical support to CPMUs at the commune level, and to VMGs and SMBs at village level.

28. **Monitoring and Evaluation.** The M&E section of each PPMU will be responsible for establishing a M&E system based on IFAD's RIMS and M&E guidelines. It will assess the impact of project interventions on the lives of the targeted poor households and women through three identified strategic thrusts: (i) strengthening the capacity and organizations of the poor; (ii) improving access to

productive resources and technology; and (iii) improving access to financial services and markets. The system will be based on monitoring of inputs, outputs, outcomes and impact. The main source of information will be annual work plans and budgets, district and commune plans, and the quarterly and annual physical and financial progress reports consolidated by PPMU.

29. **Coordination and supervision.** An integrated package of policy and implementation support, technical assistance and field presence will facilitate the implementation of the proposed activities. Operationally, the role of supervision through the current arrangements with UNOPS will be supplemented by more intensive implementation and policy support, which would be carried out through IFAD's FLO and supported by the country programme manager. A broader range of partnerships and IFAD field presence within the background of Government and donor relationships is critical to the execution of these activities.

### G. Economic Justification

30. The programme will cover 841 villages in 93 communes, comprising 69,000 poor households of which 35-40% are ethnic minorities. Because of the demand-driven, decentralized nature of the programme, the final choices of investment will depend on the participatory needs assessment and farmers' priorities. The main tangible economic benefits will be the incremental value of the crops, livestock, and forestry products resulting from improved technologies and management systems linked with improved credit supply. Substantial improvement is expected in household food security, moving households from a food deficit situation to a food surplus. Increased livestock and aquaculture production is expected to contribute meaningfully to improved nutritional status. Wage labour opportunities created in association with village infrastructure development will provide a substantial boost to village economies, averaging USD 116 per household across all households.<sup>7</sup> This represents four to five months income for a typical household.

31. An important objective is to improve the living standards of poor communities in upland areas in order to maintain settlements that would otherwise be accommodated elsewhere, possibly at a higher economic cost. Environmental benefits include: sustainable utilization of the natural resource base; maintenance of long-term productive capacity of resources; protection of biodiversity; and reduction of downstream costs associated with soil erosion and accelerated run-off.

32. Specific benefits for women include: (i) a strengthened role in planning, implementation and monitoring of activities, with increased influence over resource allocation; (ii) an enhanced role in household economy management through improved access to credit and involvement in production-related training activities; (iii) increased employment potential from the opportunities generated; and (iv) direct benefits of developments funded by the VIDB.

33. **Sustainability and exit strategy.** The programme avoids investments requiring large government funds or substantial public personnel support for their continuation. Instead, it focuses on categories of public investments where ownership and maintenance responsibility is devolved to local communities and activities that are financially viable and therefore sustainable from the producers' point of view. The first component, **capacity-building for decentralized development**, seeks to facilitate a wide range of change processes backed up by a focused M&E system. It is expected that such a structured effort will sustain and accelerate the processes of decentralization and targeted poverty-reduction. For training and technical support, the programme has chosen dissemination modalities like farmers' field schools and demonstrations. Such activities build capacities for self-learning among beneficiaries to reduce recurrent costs to line departments for technical support and backup. Regarding facilitation of market and input supply chains through experiential learning, the programme will provide the skills and knowledge to allow the target group to sustainably expand their economic activities. Concerning rural finance services, beyond initial matching grant support for

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<sup>7</sup> Assuming an average 60% labour component of all infrastructure expenditures.

savings to help generate economic assets, considerable training and capacity-building ensures that the access to finance is sustainable. Village infrastructure development is to be implemented and maintained by the target group and the structure of recurrent costs shows that maintenance costs are fully borne by them.

#### **H. Risks**

34. There is a general risk that the formal revision of decrees, decisions, regulations and procedures for effective implementation of the decentralized approaches may not be carried out comprehensively. Specific risks include: (i) misappropriation of funds; (ii) failure of outreach to communes and villages that are physically, socially and culturally isolated; and (iii) inability of women to gain equitable access to programme resources and development opportunities. These risks are addressed by establishing LDBs with clear operational guidelines and transparent operating procedures subject to annual audit oversight. Isolation and distance will be considered in the selection of villages for LDB entitlements. The programme will implement comprehensive training and support in order to ensure appropriate community orientation at all levels.

#### **I. Environmental Impact**

35. Since activities will be carried out in the buffer zones of the Phong Nha-Ke Bang National Park (a United Nations Educational, Scientific and Cultural Organization World Heritage Site), the environmental screening and scoping note has classified the DPRPR as Category “A”. At appraisal, an environmental assessment determined that the risk of negative environmental impacts associated with small-scale and dispersed activities was very low to negligible. A number of mitigation and capacity-building measures have also been designed and mainstreamed into programme activities.

#### **J. Innovative Features**

36. The DPRPR follows a programmatic strategy to continue IFAD’s established track record in decentralizing management functions and financial authority from the district level down to commune and village levels, and to move away from supply-driven extension approaches to market based service delivery. Through IFAD-supported grant financing, the programme’s impact will be reinforced through a province-led process policy dialogue that will build on local capacities for projecting priorities and strengthen consensus among stakeholders to address poverty reduction. The IFAD-supported FLO is expected to play an important role in transferring lessons learned through linkages with policy forums at the national and global levels. This will be achieved through mechanisms such as the Sustainable Agriculture and Rural Development – Mountain Policy Project, in collaboration with the Food and Agriculture Organization of the United Nations. A debt-swap agreement concluded between the Governments of Viet Nam and Norway will provide additional financing support of USD 5.27 million to the programme (available in local currency). As identified through the environmental assessment, envisaged activities related to land-use planning and sustainable land management in environmentally sensitive buffer zone communes may be eligible for incremental Global Environment Facility support.

### **PART III - LEGAL INSTRUMENTS AND AUTHORITY**

37. A financing agreement between the Socialist Republic of Viet Nam and IFAD constitutes the legal instrument for extending the proposed financial assistance to the recipient. A summary of the important supplementary assurances included in the negotiated financing agreement is attached as an annex.

38. The Socialist Republic of Viet Nam is empowered under its laws to borrow from IFAD.

39. I am satisfied that the proposed financial assistance will comply with the *Agreement Establishing IFAD*.

#### PART IV - RECOMMENDATION

40. I recommend that the Executive Board approve the proposed financial assistance in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Socialist Republic of Viet Nam in various currencies in an amount equivalent to sixteen million one hundred thousand Special Drawing Rights (SDR 16 100 000) to mature on or prior to 1 December 2044 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

RESOLVED FURTHER: that the Fund shall provide a grant to the Socialist Republic of Viet Nam in various currencies in an amount equivalent to four hundred and thirty thousand Special Drawing Rights (SDR 430 000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge  
President

**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES  
INCLUDED IN THE NEGOTIATED FINANCING AGREEMENT**

(Negotiations concluded on 18 November 2004)

1. The PPMU of the Ha Giang project will open and thereafter maintain and operate in the Provincial State Treasury, or another bank proposed by the Government of the Socialist Republic of Viet Nam (the "Government") and accepted by IFAD, a current account, with sub-accounts, denominated in dong for programme operations related to the Ha Giang project, including receiving loan and grant proceeds from the Ha Giang special account and Ha Giang grant bank account, respectively, and making payments for Ha Giang project operations in accordance with the annual workplan and budget (AWP/B).

2. The PPMU of the Quang Binh project will open and thereafter maintain and operate in the Provincial State Treasury, or another bank proposed by the Government and accepted by IFAD, a current account denominated in dong for programme operations related to the Quang Binh project, including receiving loan and grant proceeds from the Quang Binh special account and Quang Binh grant bank account, respectively, and making payments for Quang Binh project operations in accordance with the AWP/B.

3. The Government will ensure that, in addition to the proceeds of the IFAD loan and grant, counterpart funds will be made available by the lead programme agencies during the programme implementation period for the purpose of carrying out the programme. Each lead programme agency will make budgetary allocations in the respective programme province's budget for each fiscal year equal to the counterpart funds called for in the respective AWP/B for the relevant programme year, and make such allocations available to the respective project account quarterly in advance.

4. **Pest management practices.** As part of maintaining sound environmental practices as required by Section 7.15 of the *General Conditions for Agricultural Development Financing*, the programme parties will maintain appropriate pest management practices under the programme and, to that end, the Government will ensure that pesticides procured under the programme do not include any pesticide either proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations, as amended from time to time, or listed in Tables 1 (Extremely Hazardous) or 2 (Highly Hazardous) of the World Health Organization's Recommended Classification of Pesticides by Hazard and Guidelines to Classification 1996-1997, as amended from time to time.

**5. Monitoring**

- (a) The M&E section of each PPMU will be responsible for establishing and maintaining a functioning and appropriate M&E system. The M&E system will incorporate IFAD's Framework for a Results and Impact Management System (RIMS), with the main objective of assessing the impact of programme interventions on the lives of the targeted poor households and women in terms of the following three identified strategic thrusts: (i) strengthening the capacity of the poor and their organizations; (ii) improving access to productive resources and technology; and (iii) improving access to financial services and markets. Participatory impact assessments (PIAs) will be the main tools used to assess programme impact, and will thus occur every August during the programme implementation period so that the information thus gathered may be used in the preparation of the following year's AWP/B; to this end, the M&E section of the PPMUs will develop standard formats for conducting the PIAs.

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- (b) The precise monitoring indicators to be used in programme monitoring and evaluation will be established within the three months following the effective date, without prejudice to (a), above.
  - (c) In addition to the matters set forth in (a) above, the mid-term reviews will review and identify the three best-performing communes under the VIDB schemes, as those communes may be considered eligible for additional financing from the VIDB in programme years 4 through 6.
6. **Gender focus.** Women will be especially targeted for programme benefits as part of the programme's target group. Specific measures in this regard will include:
- (a) At the VMG/SMB level, 50% of the members will be women.
  - (b) In all training programmes under the programme, at least 30% of all participants will be women and 30% of the total group will come from poor and very poor families.
  - (c) At the village level, 30% of the capacity-building LDB will be reserved to meet the capacity-building, burden-reducing and quality-of-life enhancement measures for women.
  - (d) To the extent feasible, provincial community facilitator, district community facilitator and community facilitator positions will be filled with women candidates.
  - (e) Training of programme staff on gender issues.
  - (f) Terms of reference for programme staff will include addressing women's development and empowerment as a cross-cutting area of concern across all activities.
7. **Independent auditors.** Each PPMU will select independent auditors to audit the accounts and statements under their respective projects of the programme on the basis of and following a competitive and open bidding exercise. Such selection will be subject to prior review and approval by the Fund and the cooperating institution.
8. **Staffing.** The Government will ensure that programme staff at all levels are recruited and retained on the basis of satisfactory employment contracts.
9. **Vehicles.** All vehicles procured under the programme will be dedicated exclusively to be used for programme activities.
10. In addition to the events set forth in Article 12.01 of the *General Conditions for Agricultural Development Financing*, IFAD:
- (a) may suspend the right of the Government to request withdrawals from the loan account and/or grant account, in whole or in part, upon the occurrence of any of the following events: (i) the right of the Government to receive funding under the terms of the debt swap agreement has been suspended, cancelled or terminated, in whole or in part, and IFAD has determined that such action or reason for taking action by the Government is or may be detrimental to the achievement of the goal or purposes of the programme, or any event has occurred which, with notice or the passage of time, could result in any of the foregoing; (ii) IFAD has given notice to the Government that credible allegations of corrupt or fraudulent practices in connection with the programme have come to the attention of IFAD and the Government has failed to investigate the matter fully and



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- promptly to the satisfaction of the Fund; or thereafter, based on the conclusions of the aforesaid investigation and any other information available to it, IFAD, in consultation with the Government, determines that such practices have occurred, and the Government has failed to take timely and appropriate action to remedy the matter to the satisfaction of the IFAD; or
- (b) will suspend the right of the Government to request withdrawals from the loan account and/or grant account, in whole or in part, if the audit report for the Ha Giang project and/or for the Quang Binh project has not been satisfactorily completed within 12 months after the end of the fiscal year.
11. The following are specified as conditions for disbursement of funds from the loan and/or grant:
- (a) The amounts allocated to the development reserve fund will not be available for disbursement under the programme until after satisfactory completion of the mid-term review, and will be based upon request(s) for reallocation to other categories received from the Government and approved by IFAD.
- (b) No withdrawals will be made in respect of expenditures under incremental credit until the rural financial services manual, detailing the criteria and modalities for making matching grants and in-kind credit available under the programme, has been prepared by the Government and approved by IFAD.
12. The following are specified as conditions precedent to the effectiveness of the financing agreement:
- (a) the PPMU in each programme province, with terms of reference approved by IFAD, has been duly established and staffed;
- (b) the project directors for the PPMUs have been recruited/seconded and duly appointed by the respective lead programme agency;
- (c) the provincial community facilitator for each PPMU has been recruited and duly appointed by the respective lead programme agency;
- (d) the terms of reference for the recruitment of the DCFs and CFs have been prepared by the lead programme agencies and submitted to IFAD for its review and approval;
- (e) the initial budgetary allocations of counterpart funds have been made available to the programme;
- (f) the lead programme agencies have issued their respective decisions necessary to ensure the proper and necessary decentralization of its structure necessary for the implementation of the programme consistent with the financing agreement;
- (g) the financing agreement will have been duly signed, and the signature and performance thereof by the Government will have been duly authorized and ratified by all necessary administrative and governmental action; and
- (h) a favourable legal opinion, issued by the legal counsel of the Government authorized to issue such opinions, in form and substance acceptable to IFAD, has been delivered by the Government to IFAD.



APPENDIX I

COUNTRY DATA

VIET NAM

<b>Land area (km<sup>2</sup> thousand) 2002 1/</b>	325	<b>GNI per capita (USD) 2002 1/</b>	430
<b>Total population (million) 2002 1/</b>	80.42	<b>GDP per capita growth (annual %) 2002 1/</b>	5.8
<b>Population density (people per km<sup>2</sup>) 2002 1/</b>	247	<b>Inflation, consumer prices (annual %) 2002 1/</b>	4
<b>Local currency</b>	Dong (VND)	<b>Exchange rate: USD 1.00 =</b>	VND 15,754.00
<b>Social Indicators</b>		<b>Economic Indicators</b>	
Population (average annual population growth rate) 1996-2002 1/	1.3	GDP (USD million) 2002 1/	35 086
Crude birth rate (per thousand people) 2002 1/	19	Average annual rate of growth of GDP 1/ 1982-1992	5.2
Crude death rate (per thousand people) 2002 1/	6	1992-2002	7.4
Infant mortality rate (per thousand live births) 2002 1/	20	Sectoral distribution of GDP 2002 1/	
Life expectancy at birth (years) 2002 1/	70	% agriculture	23
Number of rural poor (million) (approximate) 1/	n/a	% industry	39
Poor as % of total rural population 1/	n/a	% manufacturing	21
Total labour force (million) 2002 1/	41.80	% services	38
Female labour force as % of total 2002 1/	49	Consumption 2002 1/	
<b>Education</b>		General government final consumption expenditure (as % of GDP)	6
School enrolment, primary (% gross) 2002 1/	103 a/	Household final consumption expenditure, etc. (as % of GDP)	66
Adult illiteracy rate (% age 15 and above) 2002 1/	10 a/	Gross domestic savings (as % of GDP)	28
<b>Nutrition</b>		<b>Balance of Payments (USD million)</b>	
Daily calorie supply per capita	n/a	Merchandise exports 2002 1/	16 530
Malnutrition prevalence, height for age (% of children under 5) 2002 3/	36 a/	Merchandise imports 2002 1/	19 000
Malnutrition prevalence, weight for age (% of children under 5) 2002 3/	33 a/	Balance of merchandise trade	-2 470
<b>Health</b>		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2002 1/	5 a/	before official transfers 2002 1/	-2 525
Physicians (per thousand people) 2002 1/	n/a	after official transfers 2002 1/	-604
Population using improved water sources (%) 2002 3/	77 a/	Foreign direct investment, net 2002 1/	1 400
Population with access to essential drugs (%) 1999 3/	80-94	<b>Government Finance</b>	
Population using adequate sanitation facilities (%) 2002 3/	47 a/	Overall budget balance (including grants) (as % of GDP) 2002 1/	-3
<b>Agriculture and Food</b>		Total expenditure (% of GDP) 2002 1/	23
Food imports (% of merchandise imports) 2002 1/	n/a	Total external debt (USD million) 2002 1/	13 349
Fertilizer consumption (hundreds of grams per ha of arable land) 2002 1/	3 076	Present value of debt (as % of GNI) 2002 1/	32
Food production index (1989-91=100) 2002 1/	181	Total debt service (% of exports of goods and services) 2002 1/	6
Cereal yield (kg per ha) 2002 1/	4 455	Lending interest rate (%) 2002 1/	9
<b>Land Use</b>		Deposit interest rate (%) 2002 1/	6
Arable land as % of land area 2002 1/	20 a/		
Forest area as % of total land area 2002 1/	30 a/		
Irrigated land as % of cropland 2002 1/	36 a/		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* database CD ROM 2004

2/ UNDP, *Human Development Report*, 2004

**PREVIOUS IFAD FINANCING IN VIET NAM**

Project Id	Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Denominated Currency	Approved Loan/ Grant Amount	Disbursement (as % of approved amount)
328	Participatory Resource Management Project - Tuyen Quang Province	IFAD	UNOPS	HC	06 Apr 93	06 Aug 93	31 Dec 01	G - I - 576 - VN	USD	22300	32%
328	Participatory Resource Management Project - Tuyen Quang Province	IFAD	UNOPS	HC	06 Apr 93	06 Aug 93	31 Dec 01	L - I - 328 - VN	SDR	13350000	100%
1007	Agricultural Resources Conservation and Development Project in Quang Binh Province	IFAD	UNOPS	HC	04 Dec 96	25 Mar 97	31 Dec 02	G - I - 28 - VN	USD	100000	97%
1007	Agricultural Resources Conservation and Development Project in Quang Binh Province	IFAD	UNOPS	HC	04 Dec 96	25 Mar 97	31 Dec 02	L - I - 434 - VN	SDR	10050000	100%
1025	Ha Giang Development Project for Ethnic Minorities	IFAD	UNOPS	HC	04 Dec 97	27 Apr 98	30 Jun 04	G - I - 52 - VN	USD	50000	43%
1025	Ha Giang Development Project for Ethnic Minorities	IFAD	UNOPS	HC	04 Dec 97	27 Apr 98	30 Jun 04	L - I - 460 - VN	SDR	9200000	100%
1091	Ha Tinh Rural Development Project	IFAD	UNOPS	HC	29 Apr 99	17 Sep 99	31 Mar 06	G - I - 42 - VN	USD	100000	14%
1091	Ha Tinh Rural Development Project	IFAD	UNOPS	HC	29 Apr 99	17 Sep 99	31 Mar 06	G - I - 73 - VN	USD	100000	72%
1091	Ha Tinh Rural Development Project	IFAD	UNOPS	HC	29 Apr 99	17 Sep 99	31 Mar 06	L - I - 507 - VN	SDR	11400000	79%
1202	Rural Income Diversification Project in Tuyen Quang Province	IFAD	UNOPS	HC	06 Dec 01	21 Aug 02	31 Mar 09	G - I - 133 - VN	USD	60000	99%
1202	Rural Income Diversification Project in Tuyen Quang Province	IFAD	UNOPS	HC	06 Dec 01	21 Aug 02	31 Mar 09	L - I - 578 - VN	SDR	16400000	13%

HC: Highly concessional

### LOGICAL FRAMEWORK

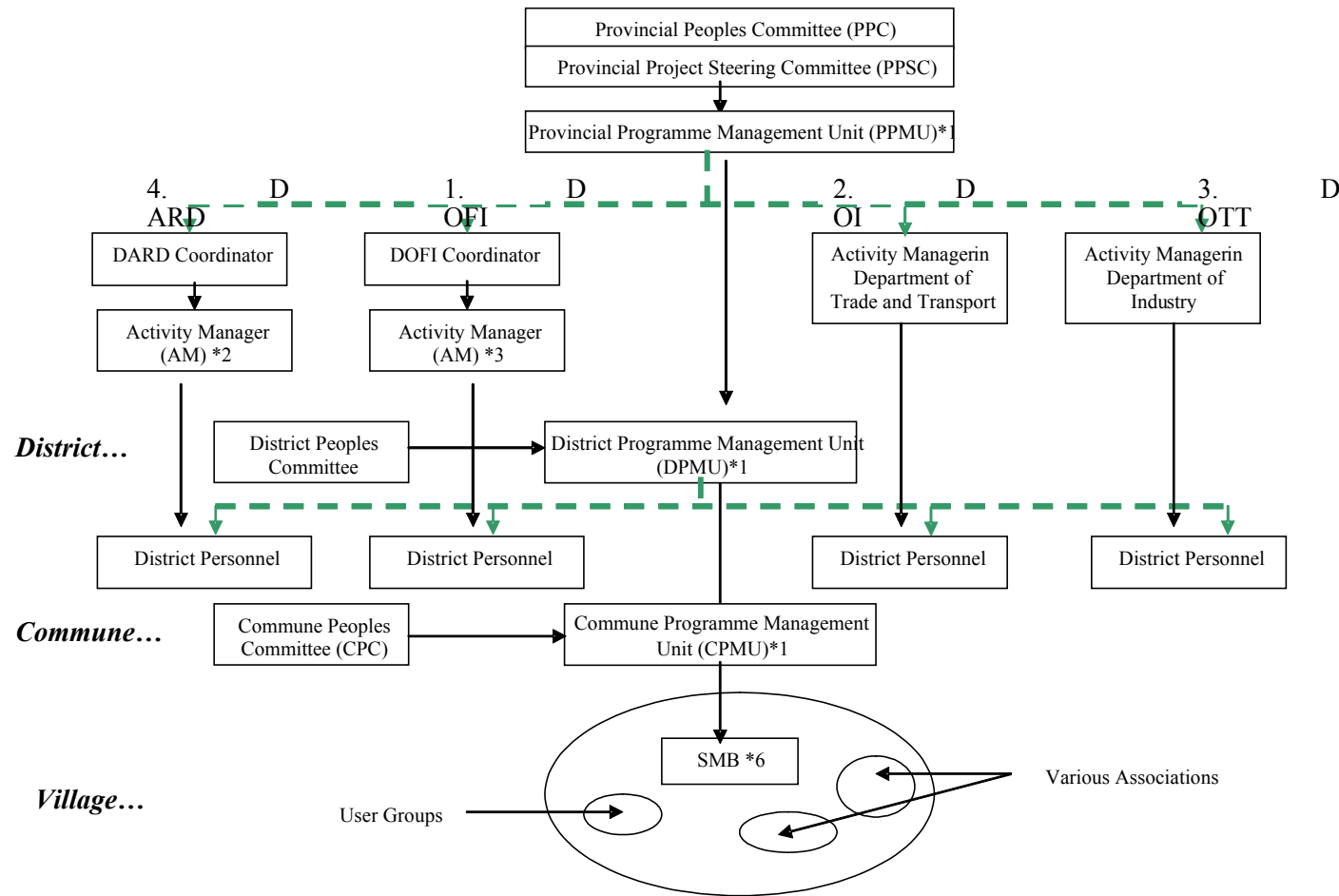
<u>Narrative Summary</u>	<u>Key Performance Indicators</u>	<u>Means of Verification</u>	<u>Critical Assumptions</u>
<b>Goal</b>			
Improved socio-economic status of poorest households in Ha Giang and Quang Binh Provinces	<p>Increase in the number of assets owned by HHs with data disaggregated by gender of the HH head. (assets include land, livestock, good, quality of housing, etc.)</p> <p>% of male and female children &lt; 5 years malnourished (weight for age) and wasted (weight for height) compared to the level at Programme start up with data disaggregated by gender of the HH head.</p>	<p>Results Management System.</p> <p>Project impact surveys. (baseline, midterm and completion)</p> <p>Health and education statistics.</p>	Political commitment to decentralisation of the development process and poverty reduction.
<b>Purpose</b>			
Operationalisation of the GoVN's 'Grassroot Democratisation' legislation by presenting a practical and replicable model of highly decentralized community-driven development.	<p>Decrees and decisions covering decentralized financial management arrangements, implementation arrangements, scheme ownership and operational responsibilities issued by both Provinces.</p> <p>Total poor HHs receiving Programme financed services in the selected villages with data disaggregated by gender of the HH head.</p>	<p>Provincial Decrees and guidelines.</p> <p>Project Progress Reports.</p> <p>M&amp;E Reports.</p> <p>PIAs.</p> <p>RIMS.</p>	<p>Local people are incentivised to become active stakeholders in relation to the management of commune and village level institutions;</p> <p>Active and sustained support provided by Commune, District and Provincial Govt for Programme operations.</p>
<b>Outputs</b>			
<p>1. Capacity-building for Decentralized Development</p> <p>Enhanced capabilities of local people to become active stakeholders in relation to the management of commune and village level institutions</p>	<p>No. type and value of commune/village level development activities and schemes identified and implemented, both Programme and govt-funded; No. of village PRAs and village development plans implemented; Decree covering decentralized financial management. Programme approaches and procedures issued.</p>	<p>Project Progress Reports.</p> <p>M&amp;E Reports.</p> <p>PIAs.</p>	<p>The target group acknowledges the goal of the Programme and is prepared to take ownership of the development process.</p>

<b>Outputs</b>			
<p>2. Production Support</p> <p>Increased productivity and income levels of poor households, ethnic minorities and women and improving their household food security</p>	<p>No. of HHs with improved food security (months per year) with data disaggregated by gender of the HH head; Ha. of incremental crops grown (cereals, forage, fruit, legumes, vegetables, roots and tubers); No. of demonstrations replicated by area and households; No. of farmers adopting technology recommended by the Programme (by gender); No. of Key Farmers trained, by subject; % of portfolio at risk (outstanding balance of over due loans); % of operational self sufficiency; % of operating cost / loan portfolio; % of outstanding loans / agents (staff productivity); No. of active savers (disaggregated by gender); Value of savings mobilised by the credit and savings groups (by gender)</p>	<p>Project Progress Reports. M&amp;E Reports. Commune/district crop, livestock and forestry production stats.</p>	<p>Farmers are interested in and motivated to pursue proposed food crop, livestock, and aquaculture, and micro enterprise options.</p>
<p>3. Village Infrastructure Development</p> <p>Reinforcement of ongoing decentralized development policies, with emphasis on village level infrastructure</p>	<p>Ha of irrigation schemes rehabilitated / constructed Quality of construction; No. and value of schemes completed, by type; Savings made by village against approved cost estimates; No. poor HHs benefiting from working on rehabilitated / new schemes; Km of roads constructed / rehabilitated; No. of farmers with secure access to water; No. of commune accounts established in District Treasuries and funds disbursed; No. and type of proposals approved and funds disbursed; Savings made by villages against estimated costs; Value of community contribution; commune and village entitlements calculated and notified to communities; No. of households benefiting.</p>	<p>Provincial Decrees and Decisions. Project Progress Reports. M&amp;E Reports. AWPBs. PIAs. District and commune records.</p>	<p>Villages accept 'ownership' of all schemes implemented and full responsibility for maintenance.</p>
<p>4. Programme Management</p> <p>Effective and decentralized programme management structures and delivery services responsive to the priorities of the target group established.</p>	<p>No. of commune and village level organisations established and operational; No. of people belonging to commune and village level organisations; No of commune and village level organisations with women</p>	<p>Provincial Decrees and Decisions. Project Progress Reports. M&amp;E Reports. AWPBs.</p>	<p>Provincial and district governments are prepared to decentralise implementation management to the extent envisaged.</p>

<b>Outputs</b>			
	in leadership positions; AWPBs based on proposals originating from the village PRAs and needs assessments; Project management systems covering physical planning, financial planning, accounting/audit, personnel management, training management, and M&E. established.	PIAs.	
<b>Activities</b>			
1.1 Establishment of CPMUs and VMGs/SMBs 1.2 Improvement of skills relating to decentralized development approaches and natural resource management 1.3 Improvement of community awareness of rights and responsibilities 1.4 Enhanced role for women in management of community affairs			
2.1 Establishment of farmer extension services based on simplified farmer-to-farmer approaches. 2.2 Increased availability of superior local maize varieties (HG only) 2.3 Increased availability of superior varieties of other food crops and vegetables. 2.4 Increased availability of fruit tree seedlings. 2.5 Increased availability of improved livestock breeds. 2.6 Increased availability of improved forages. 2.7 Improved animal health services. 2.8 Afforestation of allocated barren and degraded land. 2.9 Increased aquaculture production 2.10 Improved regulation of input supply and improved capacity of input suppliers to support farmers (QB only). 2.11 Agricultural, sandy coastal and forest land allocated			
2.12 Improved applied research programme (QB only) 2.13 VBSP strengthened to provide rural credit for target group households. 2.14 Establishment of Credit and Saving Groups (CSGs) 2.15 Increased off-farm micro enterprise activity 2.16 Improved marketing			
3.1 Decentralized implementation guidelines established 3.2 Small-scale village infrastructure schemes carried out. 3.3 Improved infrastructure maintenance. 3.4 Improved capacity of district and commune to support decentralized infrastructure development programs			
4.1 Establishment of project management systems. 4.2 Appropriately skilled project management staff. 4.3 Project management systems operating effectively. 4.4 Lessons learned systematically reviewed and shared with Government at all levels and other donors. 4.5 Results Management System established.			

# ORGANIGRAMME

## Programme Organizational Structure, Quang Binh





<p><u>*1 Key Personnel</u></p> <ul style="list-style-type: none"> <li>• PD</li> <li>• Deputy PD</li> <li>• PCF</li> <li>• VIDE</li> <li>• PESC</li> <li>• CMEC</li> <li>• Accountants (3)</li> <li>• M&amp;E Specialist (3)</li> </ul>	<p><u>*2 Activity Managers</u></p> <ul style="list-style-type: none"> <li>• Farmer Extension</li> <li>• Animal Health</li> <li>• Home Garden Association</li> <li>• Province Fruit Tree and Research Centre</li> <li>• Dnc Ninh Pig Breeding Station</li> </ul>	<p><u>*3 Activity Managers</u></p> <ul style="list-style-type: none"> <li>• Province Fisheries Extension Centre</li> <li>• Dai Trach Fishery Seed Centre</li> <li>• OPQUAVEF</li> </ul>
<p><u>*4 Key Personnel</u></p> <ul style="list-style-type: none"> <li>• Manager (DPC Chairman – Honorary)</li> <li>• Deputy Manager</li> <li>• DVIC</li> <li>• DCF</li> <li>• Accountant (1)</li> <li>• M&amp;E Specialist (1)</li> </ul>	<p><u>*5 Key Personnel/ Individuals</u></p> <ul style="list-style-type: none"> <li>• Head – CPC Chairman</li> <li>• Heads of the SMBs</li> <li>• Head of the WU on the SMB</li> <li>• WU – Head</li> <li>• CCF</li> <li>• CEW</li> <li>• VIT/CIT</li> <li>• Commune Accountant</li> </ul>	<p><u>*6 Key Individuals</u></p> <ul style="list-style-type: none"> <li>• Head SMB</li> <li>• WU- Head</li> <li>• VEW</li> <li>• Elected Representatives</li> </ul>