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IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Eighty-eighth Session
Rome, 13-14 September 2006

REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON PROPOSED FINANCIAL ASSISTANCE TO THE

SOCIALIST REPUBLIC OF VIET NAM

FOR THE

**PROGRAMME FOR IMPROVING MARKET PARTICIPATION OF THE POOR
IN HA TINH AND TRA VINH PROVINCES**

For: Approval

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

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CURRENCY EQUIVALENTS

Currency unit	=	dong (VND)
US\$1.00	=	VND 16,000
VND 1,000	=	US\$0.0625

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 ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

BDS	business development services
CMOB	commune market opportunities budget
CMOP	commune market opportunities plan
DFID	Department for International Development (United Kingdom of Great Britain and Northern Ireland)
GTZ	German Agency for Technical Cooperation
IMPP	Programme for Improving Market Participation of the Poor in Ha Tinh and Tra Vinh Provinces
JBIC	Japan Bank for International Cooperation
KMU	knowledge management unit
M4P	Making Markets Work Better for the Poor
M&E	monitoring and evaluation
PCU	provincial coordination unit
SME	small and medium-sized enterprise
VBARD	Viet Nam Bank for Agriculture and Rural Development

GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIET NAM
Fiscal Year

1 January - 31 December

RECOMMENDATION FOR APPROVAL

The Executive Board is invited to approve the recommendation for the proposed financial assistance to the Socialist Republic of Viet Nam for the Programme for Improving Market Participation of the Poor in Ha Tinh and Tra Vinh Provinces, as contained in paragraph 44.

MAP OF THE PROGRAMME AREA



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
PROGRAMME FOR IMPROVING MARKET PARTICIPATION OF THE POOR
IN HA TINH AND TRA VINH PROVINCES

FINANCING SUMMARY

INITIATING INSTITUTION:	IFAD
RECIPIENT:	Socialist Republic of Viet Nam
EXECUTING AGENCY:	Ha Tinh Provincial People's Committee Tra Vinh Provincial People's Committee
TOTAL PROGRAMME COST:	US\$37.3 million
AMOUNT OF IFAD FINANCING:	Loan: SDR 17.55 million (equivalent to approximately US\$26.0 million) Grant: SDR 270,000 (equivalent to approximately US\$400,000)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIERS:	<ul style="list-style-type: none">– Germany^a– Department for International Development (DFID) of the United Kingdom of Great Britain and Northern Ireland– Viet Nam Bank for Agriculture and Rural Development (VBARD)
AMOUNT OF COFINANCING:	<ul style="list-style-type: none">– Germany: US\$3.9 million^a– DFID: US\$600,000– VBARD: US\$1.2 million (through the Making Markets Work Better for the Poor [M4P] – Phase II)
TERMS OF COFINANCING:	Grants
CONTRIBUTION OF RECIPIENT:	US\$4.1 million
CONTRIBUTION OF BENEFICIARIES:	US\$1.1 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services

^a Germany through the German Agency for Technical Cooperation (GTZ) would finance US\$2.6 million for technical assistance training and workshop costs in the first three years of the programme. It is foreseen that Germany would continue to finance for the following two years. However not to pre-empt the possible agreement with the Government of Viet Nam for the subsequent financing period, these costs are charged to a "bilateral donor" in Table 2.

PROGRAMME BRIEF

Who are the beneficiaries? The Programme for Improving Market Participation of the Poor in Ha Tinh and Tra Vinh Provinces (IMPP) will directly benefit rural poor households in 50 poor communes in Ha Tinh and 30 communes in Tra Vinh. With its focus on investment to create jobs and enhance market access, IMPP will help raise rural incomes for the following groups: (i) poor people who remain in farming; (ii) poor people who develop their own micro/household enterprises in rural areas; (iii) poor people who find permanent jobs and become employees; and (iv) local entrepreneurs investing in employment-creating small and medium-sized enterprises. IMPP will target poorer, more vulnerable households with underemployed members and sub-economic holdings; women and woman-headed households; underemployed youth; and ethnic minorities, especially the Khmer in Tra Vinh.

Why are they poor? An analysis of the land, labour, finance, commodities and service markets in sample communes has identified the following general characteristics: (i) land shortages, sub-economic plot sizes, landlessness, uncertain tenure, incomplete land allocation and lack of transparency in land transactions; (ii) labour markets characterized by surplus labour, underemployment in rural areas, inadequate skills among poor households, an unsatisfactory skill fit with job opportunities, and limited employment information available; (iii) financial markets characterized by small and short-duration loans and the credit available to enterprises falling short of the demand; (iv) in the commodities market, limited processing, disorganized post-harvest handling, low product quality and exclusion of the poor from value chains; and (v) difficult road access to villages and between communes, weakened state of the electricity grid, substandard condition of irrigation systems and limited effectiveness of agricultural extension services.

How will the programme benefit the target groups? The goal is to contribute to the sustainable improvement of incomes of poor people in Ha Tinh and Tra Vinh Provinces by facilitating their access to and participation in markets, with relevance elsewhere in Viet Nam. Programme thrusts include: (i) improvement of key markets and market mechanisms, processes and linkages – either directly or indirectly for the poor; (ii) off-farm job creation and improvement of agricultural incomes; and (iii) linking market-based initiatives to the needs and priorities of poor communes within a better functioning market environment.

How will the beneficiaries participate in the programme? The selected communes will be among those with the highest poverty rates and that have had little or no donor support in the past. The starting point for IMPP activities will be a participatory planning process including a participatory market assessment carried out in each commune that will identify the needs and aspirations of different segments of society and their priorities for programme investment in their community. The programme will ensure that the poor are fully able to access opportunities, including job/skill training, business development services, credit and other programme initiatives. It will be implemented in a highly decentralized, participatory manner that emphasizes transparency and accountability. IMPP will involve representatives from target groups in programme monitoring and feedback mechanisms and participatory evaluation.

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I submit the following report and recommendation on proposed financial assistance to the Socialist Republic of Viet Nam comprising a loan of SDR 17.55 million (equivalent to approximately US\$26.0 million) on highly concessional terms and a grant of SDR 270,000 (equivalent to approximately US\$400,000), to help finance the Programme for Improving Market Participation of the Poor in Ha Tinh and Tra Vinh Provinces (IMPP). 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 per cent (0.75%) per annum. It will be administered by the United Nations Office for Project Services as IFAD's cooperating institution.

PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and Agricultural Sector

1. Real growth in total GDP averaged 7.2% in Viet Nam from 2000 to 2004 inclusive. The driving force for the economy has been industry, whose average growth has been 10.1%, compared with 6.4% for services and 3.8% for agriculture in the same period. The share of agriculture (including forestry and fisheries) within national GDP has fallen from 24.5% in 2000 to 21.7% in 2004. In spite of its steady decline, agriculture is still the dominant sector, with 55% of the labour force, and contributes over 25% of value of exports. Given the large portion of the population dependent on agriculture combined with limited cultivatable area, average holding size is one of the lowest in the world. In 2005, private and individual enterprises generated about 40% of the national GDP in agriculture, forestry, fishery, small-scale industry, trade and services. According to the Viet Nam Household Living Standard Survey in 2002, the number of people living below the poverty line fell from 58% in 1993 to 37% in 1998 and 29% in 2002, and the progress continues (more recently, in 2005, a new poverty line was introduced by the Ministry of Labour, Invalids and Social Affairs; however, the numbers represented are those that were previously recorded).

2. In Ha Tinh, over 50% of provincial GDP is derived from agriculture (including forestry and fisheries). For many households, the small holding size permits little generation of surplus and agriculture is for basic subsistence. While rice and groundnuts are the dominant crops, especially in the plains, higher value forms of production such as fruit trees are being adopted as well as livestock rearing. Upland farmers focus on maize, fruit and livestock rearing. In the coastal belt, fishing maintains its importance, although an increasing number of households combine fishing with farming. While it remains one of the poorest provinces in the Mekong delta, provincial GDP of Tra Vinh, has grown by 12% in the past five years, with agriculture growth at 4%; fisheries, 21%; industry, 16%; construction, 31%; and services, 16%. Agriculture is the dominant sector with 56% of the provincial

¹ See Appendix I for additional information.

GDP. Rice is the dominant crop, but there has been a move to diversify and intensify through the adoption of higher value crops such as vegetables and industrial crops.

B. Lessons Learned from Previous IFAD Experience

3. There are a number of lessons from past IFAD projects that are particularly applicable for the design of IMPP. General lessons for programme design include: (i) strong linkage between components; (ii) flexibility during implementation in response to changes in the operating environment; and (iii) simplicity of design with fewer components and activities. Within communities, inclusion of a wider range of stakeholders is important, as slightly better-off households often have skills, links to the market, and are in a position to take risks and new initiatives. Provincial commitment is crucial to create the enabling legal and institutional environment for decentralization, which allows communes to become investment owners and to take financial and administrative charge of decentralized schemes. Active coordination with ongoing government programmes, planning processes (e.g. commune planning and budgeting), and other donor projects increases the impact of activities being implemented.

C. IFAD's Strategy for Collaboration with Viet Nam

4. **Viet Nam's policy for poverty eradication.** The Socio-economic Development Plan (SEDP) 2006-2010 aims to reduce the poverty rate, that is, those below the poverty line, to 15-16% by 2010. Under its rural development strategy, the SEDP contains three pillars: (i) creating non-farm and off-farm employment opportunities through accelerating market-oriented reforms by diversifying agricultural and processing industries, refining market systems and providing farmers and the rural poor with better access to these markets through facilitation services as well as risk management tools; (ii) sustaining and managing natural resources for livelihood security, decentralization and capacity-building at grass-roots level, and environment protection through promotion of sustainable livelihoods; and (iii) mainstreaming poverty reduction through inclusion and empowerment, focusing on development of both rural community-based organizations and private service providers. A wide range of national target poverty reduction programmes are employed to assist the poor and other vulnerable groups through direct investments and technology transfer, credit, vocational training and infrastructure.

5. **Poverty eradication activities of other major donors.** IMPP has been designed in consultation with official development assistance (ODA) projects operating in Ha Tinh and Tra Vinh. In Ha Tinh, relevant activities for IMPP are: (i) the Community-based Rural Infrastructure Project, which employs a participatory approach to help develop commune planning capacity, invests in small-scale rural infrastructure and supports income generation through local employment (World Bank); (ii) the Small-Scale Pro-Poor Infrastructure Development Project, which finances rural roads, irrigation and small transformer stations (Japan Bank for International Cooperation [JBIC]); (iii) the Entrepreneurship Development Programme for Women in Central Viet Nam, which carries out training for enterprises run by women (United Nations Industrial Development Organization [UNIDO]); (iv) vocational training, focused on the Ha Tinh Technical Vocational Centre and including syllabus development and training (German Agency for Technical Cooperation [GTZ]); and (v) the Multipurpose Poverty Reduction Project, for rural infrastructure (Organization of the Petroleum Exporting Countries). Other relevant donor initiatives include Integrated Rural Development (Canadian International Development Agency [CIDA]), and Handicraft Skills Village Development (JBIC), both scheduled to start in 2007.

6. In Tra Vinh, relevant donor initiatives include: (i) the Improved Livelihood Project, which focuses on capacity-building/training, income generation and rural economic development, agricultural extension and technology, and small-scale rural infrastructure (CIDA); (ii) Strengthening Local Government Capacities for Planning, Budgeting and Managing Public Resources Project, which

is implementing pilot activities to improve local capacity for participatory development planning, budgeting and for management of public resources (United Nations Development Programme [UNDP]); (ii) Cau Ngang District Project, which focuses in particular on the Khmer for education and literacy, capacity development for local officials, mass organizations and farmers, action on resources/land related issues, HIV/AIDS interventions, and combating trafficking of women and children (Action Aid); and (iv) Support for Production and Market Services, which promotes grass-roots extension service responsive to the poor (OXFAM).

7. **IFAD's strategy in Viet Nam.** IFAD's country strategic opportunities paper for Viet Nam (April 2003) identified its core strategy as developing and testing innovative approaches to poverty reduction that can be scaled up by Government and/or other official development assistance agencies within the Comprehensive Poverty Reduction and Growth Strategy framework. IFAD's portfolio of previous and ongoing projects/programmes adopt a provincial focus directed at the poorest provinces in the country, with an orientation to the northern uplands and the north/central region. These projects are classified as area-based, community-driven development projects with aims to improve the socio-economic status of rural poor households, focusing on women and ethnic minorities. Within the context of the Government's "grass-roots democratization" legislation, innovations include the decentralization of ownership, planning, financial and physical management of small-scale infrastructure and other project activities to commune and village levels. Given the changing structure of the economy, IFAD's country programme is moving towards a strategy of rural poverty reduction through enterprise promotion, job creation and skills promotion, private-public linkages and the integration of agriculture in the market economy.

8. **Programme rationale.** The overall rationale for the programme is for the rural poor to be able to participate in the evolving market economy more effectively. Consultative processes at the commune, district and province levels affirmed the importance of improved access to services and finance; increased capacity to interact with the market and achieve a better return from their production; and, for many families with sub-economic land holdings, enhanced opportunities, and stable and better paid employment. The programme is in line with current government policies and strategy to promote market development and small and medium-sized enterprises (SMEs) and to enable the poor and other vulnerable groups to participate in and gain from market development initiatives.

PART II – THE PROGRAMME

A. Programme Area and Target Group

9. **Programme area.** Seven districts in each province have been selected with 50 communes in Ha Tinh and 30 communes in Tra Vinh. Although the programme focuses on two provinces, the mandate of IMPP is much broader. The programme will provide an opportunity to introduce, develop and refine activities that will have relevance to a broader audience at the national level and in other provinces. Both provinces are poor with large rural poor populations. In Ha Tinh, the average poverty rate is 39%, 23% of the communes have poverty rates higher than 50%² and close to 40% of households are classified as poor. In Tra Vinh, 33% of households are classified as poor, and landlessness is a serious problem. An analysis of the land, labour, finance, commodities and service markets in sample communes in these provinces has identified the following general characteristics: (i) land shortages, sub-economic plot sizes, landlessness, uncertain tenure, incomplete land allocation and lack of transparency in land transactions; (ii) labour markets characterized by surplus labour, underemployment in rural areas, inadequate skills among poor households and an unsatisfactory skill

² The portion of households where the level of poverty is higher than that set by the Ministry of Labour, Invalids and Social Affairs.

fit with job opportunities, and limited employment information available; (iii) financial markets characterized by small and short-duration loans and the credit available to enterprises falling short of demand; (iv) in the commodities market, limited processing, disorganized post-harvest handling, low product quality and exclusion of the poor from value chains; and (v) difficult road access to villages and between communes, the weakened state of the electricity grid, the substandard condition of irrigation systems and limited effectiveness of agricultural extension services.

10. **Target group.** With its focus on investment to create jobs and enhance market access, IMPP is likely to help raise rural incomes for the following groups: (i) poor people who remain in farming; (ii) poor people who develop their own micro/household enterprises in rural areas; (iii) poor people who find permanent jobs and become employees; and (iv) local entrepreneurs investing in employment-creating SMEs. IMPP will target poorer, more vulnerable households with underemployed members and sub-economic holdings; women and women-headed households; underemployed youth; and ethnic minorities, especially the Khmer in Tra Vinh. The starting point will be a participatory planning process including a participatory market assessment carried out in each commune that will identify the needs and aspirations of different segments of society and their priorities for programme investment in their community.

B. Objectives and Scope

11. The goal is to contribute to the sustainable improvement of incomes of poor people in rural areas of Viet Nam. The purpose is to facilitate the rural poor's access to and participation in markets in Ha Tinh and Tra Vinh Provinces, with relevance elsewhere in Viet Nam. Programme thrusts include: (i) improvement of key markets and market mechanisms, processes and linkages – either directly or indirectly for the poor; (ii) off-farm job creation and improvement of agricultural incomes; and (iii) linking market-based initiatives to the needs and priorities of poor communes within a better functioning market environment. The direct scope of the programme is the seven selected districts in each province, with a focus on 50 communes in Ha Tinh and 30 communes in Tra Vinh (the lower number of communes in Tra Vinh is because the population per commune on average is double that in Ha Tinh). At a broader level, IMPP will generate lessons and experience as the basis for replication of successful market-oriented approaches and interventions.

C. Components

Commune Market Opportunities Support

12. This component seeks to enhance livelihoods of the poor by ensuring more effective interaction and participation of the poor in markets. It is the pivotal component for the programme and acts as an anchor for the other programme interventions.

13. **Developing capacity and market awareness.** This subcomponent comprises three activities: (i) market information/studies/analysis; (ii) market-focused capacity-building; and (iii) awareness creation. The first activity will assemble a market knowledge base for each commune, focusing on what the commune could supply to the market (commodities, indigenous materials, semi-processed products, labour, etc.) and an assessment of value chains, labour market, financial services and other market-related information. The activity will combine participatory mapping of the poverty/social characteristics and dynamics of the commune. The second activity involves training of commune and village leaders about how markets work, the poor's role in markets and how to carry out market-based planning. The third activity involves working with households to ensure a sound understanding of what opportunities are available to them and how the programme will be able to facilitate their access to different markets and to the resources available through IMPP.

14. **Commune market opportunities planning.** This subcomponent involves a series of participatory processes to capture the needs and priorities of the programme's key target groups – households below the poverty line, women, youth and ethnic minorities – to participate actively in the planning process and in decision-making. The commune market opportunities plan (CMOP) will include the commune's proposal for allocation of the investment funds available under the commune market opportunities budget (CMOB) and an assessment of the demand for support and services from other IMPP initiatives including skills/job training and business development support in starting up/expanding micro/household enterprises, and financing from the programme's line of credit and pilot venture capital fund; as well as from other forms of support outside of IMPP.

15. **Commune market opportunities budget.** This subcomponent will be a grant-based fund available to the commune, and managed and owned by the commune. Its use and application will be determined by proposals presented in the CMOP. The size of the fund will vary depending on the population of the commune; on average, US\$160,000 will be available per commune, to be disbursed over a three-year period. It is envisaged that the CMOB funding will be available for three main types of investments within the commune: (i) economic infrastructure; (ii) training, capacity-building and market-oriented advice; and (iii) financing for women's savings and credit groups.

Job/enterprise facilitation and market development

16. This component seeks to facilitate increased access by the rural poor to jobs through linking job seekers from programme communes to jobs, and increased added value to their production through related skills training and promoting micro/household enterprises and SMEs.

17. **Job linkage and skills improvement.** This subcomponent contains three elements: (i) preparatory activities; (ii) vocational training centre (VTC)-managed training; and (iii) enterprise-based training. Preparatory activities will need to create awareness in each programme commune of skills training and job opportunities available through IMPP and will be integrated into "developing capacity and market awareness" under the commune market opportunities support component. It will entail labour needs/demand assessment, development of skills training courses (short courses of up to three months) with outreach training accessible to the poor and the Khmer and tailored to their needs, and training-of-trainers from participating VTCs by national training specialists hired under the programme. VTC-managed training is to be provided for poor job seekers from programme communes, with a requirement that at least 90% of the participants must be from poor households, of which 50% will be women and proportional representation of Khmer in the courses. Enterprise-based training will be provided with the additional pre-requisite that the participating enterprises must provide jobs to successful trainees.

18. **Market development and business support.** This subcomponent contains three elements: (i) market analysis and knowledge base; (ii) business and market-linkage support; and (iii) market environment support. Market analysis and knowledge base development will entail commodity comparative advantage studies, business environment assessments and value-chain investment analyses for commodities that have potential for profitable pro-poor investment by households and enterprises in programme communes. Business and market-linkage support will facilitate provision of business development services (BDS) to household-based microenterprises within programme communes and SMEs that are linked with programme communes either through commerce or by creating jobs accessible to the commune population. BDS advice will be provided directly by programme staff or contracted by the enterprise and funded from the component's business and market linkage support fund. A major focus of the support will be to assist enterprises to prepare business plans to facilitate access to finance, including that available under the programme's line of credit and venture capital fund. Market environment support comprises strengthening the capacity of private BDS suppliers, supporting the formation and operation of a provincial business consultative board, and organizing provincial trade and investment fairs and a trade and investment directory.

Enterprise Financing

19. The objective of this component is to improve the availability of financing to match the needs of micro/household enterprises and SMEs that benefit the rural poor by providing a line of credit through an existing financial intermediary and by piloting a new financial instrument for SMEs, namely, venture capital.

20. **Line of credit for micro/household enterprises and SMEs.** The line of credit will be implemented by the Viet Nam Bank for Agriculture and Rural Development (VBARD) and will be incremental/additional to the funding currently made available by VBARD in the two provinces, to be used exclusively for financing enterprises sanctioned by the programme. The focus is to be on micro/household enterprises, owned by households/individuals from the communes and/or operating in the programme communes, and SMEs that provide jobs for the poor thereby enhancing their incomes. The subcomponent includes support for training VBARD field officers to enable them to better manage their loan portfolios and facilitate implementation of the programme line of credit – especially that portion targeted at micro/household enterprises.

21. **Pilot venture capital fund.** The pilot venture capital fund will be implemented by VBARD. Potential equity investments will vary between US\$20,000 and US\$200,000 and will be used to establish a minority equity participation (up to 49% of voting equity) in an enterprise: thus, the recipient enterprise will provide matching equity of at least 51%. The pilot venture capital fund is to fund businesses with high potential for job creation and/or having other positive linkages with the rural poor in Ha Tinh and Tra Vinh. The fund will be available for companies with sound operating histories and attractive growth prospects, and a proportion of investments will be provided for start-ups with strong business plans and committed, capable management.

Programme Coordination

22. This component seeks to ensure that the programme is effectively managed and that it provides the basis for replication of successful programme approaches and interventions elsewhere in the country.

23. A provincial coordination unit (PCU) will be responsible for day-to-day implementation of all activities, with the exception of the line of credit and pilot venture capital fund, which will be implemented by VBARD. The PCU will comprise a programme director, deputy director, finance and administration unit, commune planning unit, job/market development and business support unit, credit coordinator, planning/monitoring and evaluation (M&E) unit and support staff. District programme support teams comprising an M&E/planning assistant and marketing/BDS assistant will be contracted full time. To oversee the district team, the Chairman of the District People's Committee will be involved on a part-time basis. Each of the participating communes will form a commune programme support team comprising two full-time staff – a commune accountant and a development facilitator – who will be supported by two senior members of the Commune People's Committee, the chairperson and the cashier, who will participate on a part-time basis.

24. The knowledge management unit (KMU) will be established in partnership with the Asian Development Bank/DFID-supported “Making Markets Work Better for the Poor” (M4P) initiatives. The KMU will have the responsibility of providing implementation support (specialized technical and advisory services); support for establishing/guiding a pilot venture capital fund; monitoring support, evaluation and lesson learning; knowledge management and knowledge sharing; communication, advocacy and policy dialogue; and aid coherence and effectiveness.

25. **Monitoring and evaluation.** Monitoring will be an integral part of the programme coordination mechanism with a large part of the monitoring data collected and communicated by the commune programme support teams, supported in the district by the M&E assistant in the district

programme support teams. The head of the monitoring, evaluation and economic assessment unit in each PCU will be responsible for the collection of monitoring data and compilation of provincial progress reports. The PCU will collect progress and impact data consistent with IFAD's results and impact management system anchor indicators. A management information system will be established to provide a comprehensive system of data collection, analysis and exchange. The KMU will be responsible for regularly assembling quantitative information showing the progress in each province against programme indicators as presented in the logical framework.

Performance Incentive Budget

26. The performance incentive budget will be a tool for programme management to expand the budget for any programme activity that has been performing well and having a substantial impact in enabling the poor to participate more actively and profitably in markets. In consultation with IFAD, the funds will be split equally between the two provinces and will be allocated at the time of the mid-term review and in the years thereafter. It may be found that disbursement is proceeding more rapidly in one of the two provinces or that one or more components seem to be achieving a major impact on the poor constrained by shortage of funds. In this case, the Government, in consultation with IFAD, may decide to allocate a greater portion of the performance incentive budget to the province in question.

D. Costs and Financing

27. The programme will be implemented over a five-year period. The total costs are estimated at US\$37.3 million, with a base cost of US\$36.0 million. Physical and price contingencies are both small, each close to 2% of the base costs, and foreign exchange content is low. The estimated level of duties and taxes included in total programme costs is less than 6%.

28. The proposed financiers of the programme are: IFAD through a loan of US\$26.0 million (69.7%) and a grant of US\$400,000 (1.1%), DFID with a contribution of US\$600,000 (1.6%) through M4P – Phase II, Germany through GTZ with a contribution of US\$3.9 million (7% in the first three years of the programme, followed by an additional 3.5% pending agreement between the Government of Germany and the Government of Viet Nam), the Government of Viet Nam with a contribution of US\$4.1 million (11.1%), VBARD with a contribution of US\$1.2 million (3.2%) and the beneficiaries through a contribution of US\$1.1 million (2.9%). GTZ will provide a major part of the programme's technical assistance and training requirements, and DFID and IFAD grant funds, through M4P – Phase II, will provide the funding for the KMU.

TABLE 1: SUMMARY OF PROGRAMME COSTS^a
(US\$'000)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
Commune market opportunities support					
1. Developing capacity and market awareness	181	184	365	51	1
2. Commune market opportunities planning	1 532	1 057	2 589	41	7
3. Commune market opportunities budget	13 617	-	13 617	-	38
Subtotal	15 330	1 242	16 571	7	46
Job/enterprise facilitation and market dev.					
1. Job linkage and skills improvement	2 817	788	3 604	22	10
2. Market development and business support	1 808	1 054	2 862	37	8
Subtotal	4 624	1 842	6 466	28	18
Enterprise financing					
1. Line of credit	6 310	34	6 344	1	18
2. Pilot venture capital fund	1 079	175	1 254	14	3
Subtotal	7 388	210	7 598	3	21
Programme coordination					
1. Programme management	2 364	604	2 968	20	8
2. Knowledge management unit	324	585	910	64	3
Subtotal	2 688	1 189	3 878	31	11
Performance incentive budget	1 500	-	1 500	-	4
Total base costs	31 531	4 482	36 013	12	100
Physical contingencies	475	127	601	21	2
Price contingencies	463	223	686	32	2
Total programme costs	32 469	4 832	37 301	13	104

^a Discrepancies in totals are due to rounding.

TABLE 2: FINANCING PLAN^a
(US\$'000)

Components	IFAD Loan		IFAD Grant		DFID through M4P –Phase II		Germany (GTZ)		Bilateral Donor		Government		VBARD		Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
commune market opportunities support																					
1. Developing capacity and market awareness	179	45.5	-	-	-	-	129	32.7	68	17.3	18	4.5	-	-	-	-	394	1.1	199	176	18
2. Commune market opportunities planning	465	16.0	-	-	-	-	1 104	38.1	502	17.3	829	28.6	-	-	-	-	2 901	7.8	1 141	1 693	67
3. Commune market opportunities budget	11 603	85.2	-	-	-	-	-	-	-	-	1 226	9.0	-	-	789	5.8	13 617	36.5	-	12 391	1 226
Subtotal	12 247	72.4	-	-	-	-	1 233	7.3	570	3.4	2 073	12.3	-	-	789	4.7	16 912	45.3	1 340	14 261	1 310
Job/enterprise facilitation and market development																					
1. Job linkage and skills development	2 657	68.0	-	-	-	-	592	15.2	330	8.4	326	8.3	-	-	-	-	3 906	10.5	854	2 760	292
2. Market dev and business support	1 342	44.7	-	-	-	-	705	23.5	342	11.4	320	10.7	-	-	291	9.7	2 999	8.0	1 116	1 709	175
Subtotal	3 999	57.9	-	-	-	-	1 297	18.8	672	9.7	646	9.4	-	-	291	4.2	6 905	18.5	1 969	4 469	467
Enterprise financing																					
1. Line of credit	5 137	80.6	-	-	-	-	-	-	-	-	33	0.5	1 200	18.8	-	-	6 371	17.1	37	6 300	33
2. Pilot venture capital fund	1 274	99.7	-	-	-	-	-	-	-	-	4	0.3	-	-	-	-	1 278	3.4	193	1 081	4
Subtotal	6 412	83.8	-	-	-	-	-	-	-	-	37	0.5	1 200	15.7	-	-	7 649	20.5	230	7 382	37
Programme coordination																					
1. Programme management	1 830	54.8	-	-	-	-	82	2.5	58	1.7	1 371	41.0	-	-	-	-	3 341	9.0	655	2 408	278
2. Knowledge management unit	-	-	400	40.3	590	59.4	-	-	-	-	3	0.4	-	-	-	-	994	2.7	637	353	3
Subtotal	1 830	42.2	400	9.2	590	13.6	82	1.9	58	1.3	1 374	31.7	-	-	-	-	4 335	11.6	1 292	2 761	282
Performance incentive budget	1 500	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 500	4.0	-	1 500	-
Total programme costs	25 988	69.7	400	1.1	590	1.6	2 612	7.0	1 300	3.5	4 130	11.1	1 200	3.2	1 080	2.9	37 301	100.0	4 832	30 373	2 096

^a Discrepancies in totals are due to rounding.

E. Procurement, Disbursement, Accounts and Audits

29. **Procurement.** All procurement of goods, civil works, and consultant services under the IFAD loan and grant will be done in accordance with IFAD Procurement Guidelines. The initial procurement plan for eighteen months will be developed and approved by IFAD as part of the first annual workplan and budget before the first withdrawal application from the loan account.

30. **Disbursement.** During the programme start-up period, three special accounts in United States dollars (one for each province and one for VBARD) will be opened in VIETCOMBANK or other bank acceptable to IFAD. The authorized allocation for the three special accounts will be US\$3.5 million, of which US\$1.25 million will be made available respectively to the Ha Tinh special account and Tra Vinh special account and US\$1 million to the VBARD special account. Two separate project accounts (in dong) will be maintained in the provincial treasury in each province for loan and grant proceeds. Programme funds under the enterprise financing component will be transferred to VBARD project accounts (in dong), initially to an account in VBARD headquarters and subsequently to accounts held in the provincial branches in Ha Tinh and Tra Vinh (as per the terms and conditions of the subsidiary financing agreement).

31. **Audit.** Special account and programme accounts will be subjected to independent annual audit. The auditor will examine the consolidated accounts of the programme, with a random verification of supporting documents, reimbursement applications and special account, statements submitted by implementing agencies for the accounts relating to programme activities and the supporting documentation maintained by them. The auditor will certify the accounts, including a separate opinion on the special accounts. This will cover all withdrawals from these accounts including those based on statements of expenditure. A management letter will be prepared by the auditor after which supervision missions will report on follow up actions made on the recommendations made in the management letter.

F. Organization and Management

32. The Ministry of Planning and Investment will be responsible for handling coordination with donors and other ministries. The Ministry of Finance will be charged with management of programme funds and loan repayment and represents the Government as the “recipient”. The KMU will link the two provinces and ensure sharing of experience and lessons at the national level and the dissemination to other provinces. Overall responsibility for implementation of the programme will rest with the provinces.

33. The Provincial People’s Committee in each province will be the ultimate body responsible for the programme in its province, with the PCUs being charged with programme management and implementation. The provincial VBARD office in each province will be responsible for the programme’s line of credit and pilot venture capital fund under the enterprise financing component. District programme support teams will have two key areas of concentration: M&E and building up the capacity of the district in promoting market/business development. Commune programme support teams will be responsible for supporting programme activities at the commune level.

34. A provincial programme management advisory committee in each province will be responsible for approving the annual work plans and budgets and providing high-level policy and strategic guidance. Programme management, in consultation with the provincial programme management advisory committee, will form a number of forums to represent the concerns and aspirations of key interest groups in each province. District programme management advisory committees will be responsible for ensuring synergies and lessons learned are shared among communes and for ensuring the efficiency of the district programme support team. Commune programme management advisory committees will be established to include representatives of the different segments of society in the

commune including the members of commune people's committee, poor villagers, women, youth, and ethnic minorities.

G. Economic Justification

35. The prime beneficiaries of the programme will be the rural poor households in the selected 80 programme communes. Precise estimates of the number of beneficiaries are difficult as most of the programme interventions are demand-based. From the commune market opportunities support component, based on an assumption that 30% of the households in programme communes will benefit, there will be approximately 52,000 direct beneficiaries. From the job linkage and skills improvement subcomponent, based on the number of training courses being provided by the programme and those that are expected to find jobs as a result of the training, approximately 25,000 people will benefit. There will be another approximately 10,000 direct beneficiaries from the market development and business support subcomponent. The line of credit for micro/household enterprises and SMEs subcomponent is estimated to make loans to about 6,000 micro/household enterprises and possibly about 200 SMEs – corresponding to some 6,200 direct beneficiaries. Furthermore, the number of people expected to find jobs in these newly establish/expanded enterprises is estimated at about 10,000. It might be expected that some 70,000 to 80,000 people will benefit directly, equivalent to about 50,000 households. Those benefiting indirectly will be many times this total.

36. By providing incremental long-term funds, which will be on lent at market rates, the programme is expected to have a positive impact on the profitability of VBARD's operations in the two provinces. Furthermore, the training and support given to VBARD should help it to improve the quality of its rural lending generally, not just that made using programme funds. Furthermore, introduction of the pilot venture capital fund into VBARD could, if successful, provide a new source of financing for VBARD and thus increase its profitability.

37. In the long term, the programme is expected to have a positive fiscal impact. Government will achieve a positive interest rate spread from the IFAD loan. More important, however, will be the benefits generated by: (i) incremental value added tax on goods from the programme that enter the market economy; and (ii) downstream taxation of profits and employment. Estimates suggest that the programme will have a fiscal cost-benefit ratio over the first 15 years following the launch of the programme of about 2.0.

H. Risks

38. To address the risk that the poorest may be constrained in improving their access to markets, the commune market opportunities planning process has been designed to ensure active involvement of the poorest, including ethnic minorities, in planning and decision-making through stakeholder groups that represent their interests. Further inclusion of all stakeholders will be promoted through open sessions at the village level and public posting of processes and decisions. Although there is a risk that those who receive skills training may face difficulty in finding jobs, especially those who are members of ethnic minorities, the dynamic nature of the economy with its high growth rate will continue to create a demand for skilled and semi-skilled labour. The programme's skills training, which is closely linked to specific demand for certain skills, will mitigate this risk and the special focus on ethnic minorities in the design of the programme's skills training with its outreach focus will help to mitigate ethnic minorities not being able to find jobs after training. For the line of credit and venture capital fund, the main risk is that the funds will not be used for enterprises that sufficiently benefit programme communes and the poor members of those communes. Submissions for accessing financing is to conform with strict criteria set out in the operations manual which will stipulate that enterprises must demonstrate the impact on the poor and poor communes. There is a risk that, given the innovative character of the programme and the lack of familiarity with market-based development, it may be difficult to find suitably qualified staff to fill key management positions. It is envisaged that

staff for the programme will be drawn from a combination of the public and private sectors and that both contracting and performance-based incentives will be used to attract the most qualified staff.

I. Environmental Impact

39. An environmental screening and scoping note was prepared during formulation in line with IFAD procedures. It is expected that the programme will have limited negative impact on the environment; however, because it will support small-scale infrastructure rehabilitation/improvement and small enterprise development, the programme is classified as a “low B”.

J. Innovative Features

40. While previous market development initiatives focus primarily on the commodity market and promotion of value chains, IMPP is designed to respond directly and indirectly to the constraints and opportunities that the rural poor face when trying to deal with different markets. Linking these markets to the development of investment initiatives is the major innovative feature of the programme. Initiatives to improve the market environment for the poor, linked with the approaches generated by M4P, have considerable scope to introduce new and innovative solutions to market inefficiencies and failures. In addition, the programme is assessing the possibility of introducing, on a pilot basis, venture capital for SMEs, which is new feature for Viet Nam (apart from a couple of equity funds aimed at large urban-based entrepreneurs).

PART III – LEGAL INSTRUMENTS AND AUTHORITY

41. A financing agreement between the Socialist Republic of Viet Nam and IFAD will constitute 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.

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

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

PART IV – RECOMMENDATION

44. 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 seventeen million five hundred and fifty thousand special drawing rights (SDR 17,550,000) to mature on or prior to 1 June 2046 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 two hundred and seventy thousand special drawing rights (SDR 270,000) 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 1 September 2006)

1. **Subsidiary financing agreement (SFA).** The following agreement will be entered into by the Government of the Socialist Republic of Viet Nam (the “Government”) and VBARD with respect to the programme’s enterprise financing activities:

- (a) the Government will on-lend from the proceeds of the loan an amount in local currency equivalent to SDR 3.7 million to VBARD for purposes of implementing the programme’s enterprise funding component, in accordance with the Government’s on-lending policy applicable to programmes funded by official development assistance, and on terms and conditions acceptable to IFAD;
- (b) VBARD will pay the Government’s interest on the principal amount of the loan-funded portion of the credit withdrawn by VBARD and the principal amount of the credit outstanding from time to time based on terms and conditions acceptable to IFAD;
- (c) the Government will make available to VBARD, to be passed on to each VBARD provincial branch, an initial advance in local currency equivalent to US\$500,000 per branch. VBARD will make available from its own resources the amount of US\$125,000 to each provincial branch. Each VBARD provincial branch may from time to time request replenishment, through VBARD headquarters, of the respective account for payments made from that account in accordance with the SFA and the respective annual workplan and budget (AWP/B);
- (d) the SFA will come into force on the date on which the programme financing agreement becomes effective;
- (e) the Government, through VBARD, will establish and maintain in each VBARD provincial branch a revolving fund for the line of credit facility and a revolving fund for the pilot venture capital fund into which all net revenues from credits extended directly or indirectly by the loan will be deposited. VBARD will use the revolving funds to extend credit to eligible programme beneficiaries in accordance with the financing agreement until the programme completion date. For purposes of this paragraph, the term “net revenues” shall mean all repayments of principal and all payments of interest, less reasonable operating and other costs;
- (f) the Government will provide from the proceeds of the loan an amount equivalent to US\$200,000 as a grant to VBARD for purposes of carrying out enterprise financing activities;
- (g) VBARD will, with effect from the date of programme effectiveness, provide IFAD with quarterly progress reports including an evaluation of implementation and the workplan and budget required for implementing the enterprise financing component for the subsequent quarter within the context of the AWP/B;
- (h) VBARD will contribute US\$1.2 million to assist in financing the programme’s enterprise financing component on terms and conditions to be agreed;

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- (i) VBARD will carry out its activities under the programme in conformity with the procedures, principles and practices set forth in the credit policy and operations manual and declares its commitment not to assign, amend, abrogate or waive this manual or any of its provisions if, in the opinion of IFAD, such assignment, amendment, abrogation or waiver will materially and adversely affect VBARD's performance or the implementation of the programme;
- (j) VBARD declares its commitment to the programme's goal and purposes and, in furtherance of such goal and purposes, will undertake to carry out the programme in accordance with the financing agreement.

2. **Accounts.** (a) The PCU in Ha Tinh Province will open and thereafter maintain and operate in the provincial state treasury, or in such other bank as may be proposed by the Government and accepted by IFAD, two current accounts denominated in local currency for programme operations in Ha Tinh. Loan and grant proceeds from the special account and the grant-receiving account respectively will be deposited into these accounts, and payments will be made from them for programme activities in Ha Tinh in accordance with the AWP/B for Ha Tinh, with the exception of the operations falling under the enterprise financing component.

(b) The PCU in Tra Vinh Province will open and thereafter maintain and operate in the provincial state treasury, or in such other bank as may be proposed by the Government and accepted by IFAD, two current accounts denominated in local currency for programme operations in Tra Vinh. Loan and grant proceeds from the special account and the grant-receiving account respectively will be deposited into these accounts, and payments will be made from them for programme activities in Tra Vinh in accordance with the AWP/B for Tra Vinh, with the exception of the operations falling under the enterprise financing component.

(c) VBARD will open, and thereafter maintain and operate, one current account in its headquarters and one in each VBARD provincial branch, denominated in local currency for programme operations related to the enterprise financing component.

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 to the respective provincial budgets for each fiscal year equal to the counterpart funds called for in the respective AWP/B for the relevant programme year, and will make such allocations available to the respective provincial branch account quarterly in advance.

4. **Monitoring.** (a) The M&E and economic assessment section of each PCU and VBARD will be responsible for establishing and maintaining a functioning and appropriate M&E system. The M&E system will incorporate IFAD's framework for the Results and Impact Management System, with the main objective being to assess the impact of programme interventions on the lives of the target group.

(b) Within the three months following the programme's effective date, the precise monitoring indicators to be used in the programme's M&E will be established.

5. **Gender focus.** The programme will take steps to ensure gender equality, gender mainstreaming and women's participation in programme activities by:

- (a) mainstreaming gender in all its activities;

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- (b) seeking to achieve a 50% participation rate of women in programme decision-making bodies, including the PCUs, and requiring that not less than 30% of the representatives of such bodies be women;
- (c) ensuring that not less than 50% of participants in job/skills training are women;
- (d) ensuring that not less than 30% of home-based microenterprises promoted by the programme (to be increased to 50% by the programme completion date) are headed by women;
- (e) promoting women's savings and credit groups;
- (f) focusing specifically on Khmer women in the programme's literacy training;
- (g) including in the terms of reference of programme staff a requirement that they address gender mainstreaming and gender issues as a cross-cutting area of concern across all activities;
- (h) disaggregating monitoring indicators by gender, as necessary, to allow programme management to assess the programme's impact on women and men distinctly, thereby facilitating the programme's response to challenges and opportunities; and
- (i) providing a budget to enable programme management to address gender-linked issues that arise during implementation.

6. **Ethnic minorities.** Ethnic minorities will be particularly targeted for programme benefits as part of the target group. Special measures in this regard will include:

- (a) information and literature on the programme to be made available in the Khmer language;
- (b) literacy training for the Khmer;
- (c) proportional representation of the Khmer in the commune planning groups and in the district facilitation teams in communities with substantial Khmer populations;
- (d) needs identification and prioritization exercises focusing on the Khmer;
- (e) prioritizing of the Khmer, to the extent feasible, for participation in training and other programme activities.

7. **Independent auditors.** Each PCU will select independent auditors to audit the accounts and statements under their respective programme activities on the basis of a competitive and open bidding exercise. Such selection will be subject to prior review and approval by IFAD.

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 used exclusively for programme activities.

10. **Suspension.** In addition to the events set forth in the General Conditions, IFAD:

- (a) may suspend, in whole or in part, the right of the Government to request withdrawals from the loan account and/or grant account upon the occurrence of any of the events set forth therein or any of the following events:
 - (i) the credit policy and operations manual, or any provision thereof, has been waived, suspended, terminated, amended or otherwise modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the programme;
 - (ii) the right of the Government to withdraw the proceeds of the German technical assistance grant and/or, if extended, the second German technical assistance grant or the DFID grant has been suspended, cancelled or terminated, in whole or in part;
 - (iii) the programme implementation manual, or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the programme;
 - (iv) 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 promptly to the satisfaction of IFAD; 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 IFAD; or
- (b) will suspend, in whole or in part, the right of the Government to request withdrawals from the loan account and/or grant account if the audit report for Ha Tinh, the audit report for Tra Vinh or the audit report for VBARD has not been satisfactorily completed within 12 months after the end of the fiscal year.

11. **Conditions precedent to withdrawal.** The following are specified as conditions precedent to withdrawal from the loan and/or grant:

- (a) no withdrawals may be made for civil works, vehicles, equipments and materials, training and workshops, technical assistance, studies, enterprises and market support technical assistance, budget-supported commune activities, operation and maintenance, salaries and allowances, until the AWP/B and procurement plan for the first 18 months have been submitted to, and approved by, IFAD;
- (b) no withdrawals may be made for the performance incentive budget until the mid-term reviews have been completed and recommendations have been made to achieve the objectives of the performance incentive budget component;
- (c) no withdrawals may be made for on-lending funds and venture capital until the SFA, in form and substance acceptable to IFAD, has been entered into by the Government and VBARD, and a copy of the signed SFA has been delivered to IFAD.

12. **Conditions of effectiveness.** The following are specified as conditions precedent to the effectiveness of the financing agreement:

- (a) the provincial programme management advisory committee and the PCU in each programme province, with terms of reference approved by IFAD, have been duly established and staffed;
- (b) the project directors for the PCUs have been recruited/seconded and duly appointed by the respective lead programme agency;
- (c) the Government has duly opened the special accounts, grant-receiving account and programme accounts;
- (d) the SFA, in form and substance acceptable to IFAD, has been duly signed by the Government and VBARD; the signature and performance thereof by the Government and VBARD have been duly authorized or ratified by all necessary corporate, administrative and governmental action; and a copy of the signed SFA, certified as a true and complete copy thereof by a competent officer of the Government, has been delivered to IFAD;
- (e) the financing agreement has been duly signed, and the signature and performance thereof by the Government have been duly authorized and ratified by all necessary administrative and governmental action; and
- (f) 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

Land area (km² thousand) 2004 1/	325	GNI per capita (USD) 2004 1/	540
Total population (million) 2004 1/	82.16	GDP per capita growth (annual %) 2004 1/	6.6
Population density (people per km²) 2004 1/	252	Inflation, consumer prices (annual %) 2004 1/	8
Local currency	Dong (VND)	Exchange rate: USD 1 =	VND 16 000
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1998-2004 1/	1.2	GDP (USD million) 2004 1/	45 210
Crude birth rate (per thousand people) 2004 1/	18	GDP growth (annual %) 1/	
Crude death rate (per thousand people) 2004 1/	6	2003	7.3
Infant mortality rate (per thousand live births) 2004 1/	17	2004	7.7
Life expectancy at birth (years) 2004 1/	70	Sectoral distribution of GDP 2004 1/	
Number of rural poor (million) (approximate) 1/	n/a	% agriculture	22
Poor as % of total rural population 1/	n/a	% industry	40
Total labour force (million) 2004 1/	43.12	% manufacturing	20
Female labour force as % of total 2004 1/	49	% services	38
Education		Consumption 2004 1/	
School enrolment, primary (% gross) 2004 1/	98	General government final consumption expenditure (as % of GDP)	7
Adult illiteracy rate (% age 15 and above) 2004 1/	10	Household final consumption expenditure, etc. (as % of GDP)	65
Nutrition		Gross domestic savings (as % of GDP)	28
Daily calorie supply per capita	n/a	Balance of Payments (USD million)	
Malnutrition prevalence, height for age (% of children under 5) 2004 2/	36 a/	Merchandise exports 2004 1/	25 625
Malnutrition prevalence, weight for age (% of children under 5) 2004 2/	33 a/	Merchandise imports 2004 1/	31 091
Health		Balance of merchandise trade	-5 466
Health expenditure, total (as % of GDP) 2004 1/	5 a/	Current account balances (USD million)	
Physicians (per thousand people)	1 a/	before official transfers 2004 1/	-2 525 a/
Population using improved water sources (%) 2002 2/	73	after official transfers 2004 1/	-604 a/
Population with access to essential drugs (%) 2/	n/a	Foreign direct investment, net 2004 1/	1 610
Population using adequate sanitation facilities (%) 2002 2/	41	Government Finance	
Agriculture and Food		Cash surplus/deficit (as % of GDP) 2004 1/	n/a
Food imports (% of merchandise imports) 2004 1/	6 a/	Total expenditure (% of GDP) 2004 1/	n/a
Fertilizer consumption (hundreds of grams per ha of arable land) 2004 1/	2 993 a/	Total external debt (USD million) 2004 1/	17 825
Food production index (1999-01=100) 2004 1/	124	Present value of debt (as % of GNI) 2004 1/	39
Cereal yield (kg per ha) 2004 1/	4 665	Total debt service (% of exports of goods and services) 2004 1/	6 a/
Land Use		Lending interest rate (%) 2004 1/	10 a/
Arable land as % of land area 2004 1/	21 a/	Deposit interest rate (%) 2004 1/	7 a/
Forest area as % of total land area 2004 1/	n/a		
Irrigated land as % of cropland 2004 1/	33 a/		

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

1/ World Bank, *World Development Indicators* database CD ROM 2006

2/ UNDP, *Human Development Report*, 2005

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	22 300	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	13 350 000	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	100 000	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	10 050 000	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	50 000	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	9 200 000	100%
1091	Ha Tinh Rural Development Project	IFAD	UNOPS	HC	29 Apr 99	17 Sep 99	31 Mar 06	G - I - 42 - VN	USD	100 000	14%
1091	Ha Tinh Rural Development Project	IFAD	UNOPS	HC	29 Apr 99	17 Sep 99	31 Mar 06	G - I - 73 - VN	USD	100 000	72%
1091	Ha Tinh Rural Development Project	IFAD	UNOPS	HC	29 Apr 99	17 Sep 99	31 Mar 06	L - I - 507 - VN	SDR	11 400 000	100%
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	60 000	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	16 400 000	48%
1272	Decentralized Programme for Rural Poverty Reduction in Ha Giang and Quang Binh Provinces	IFAD	UNOPS	HC	02 Dec 04	17 Aug 05	31 Mar 12	G - I - 728 - VN	SDR	430 000	
1272	Decentralized Programme for Rural Poverty Reduction in Ha Giang and Quang Binh Provinces	IFAD	UNOPS	HC	02 Dec 04	17 Aug 05	31 Mar 12	L - I - 647 - VN	SDR	16 100 000	1%

LOGICAL FRAMEWORK

A. RESULTS	INDICATORS (RIMS AND OTHERS) WITH TARGETS	M&E MECHANISMS AND SOURCES	ASSUMPTIONS AND RISKS
<p>Development Goal</p> <p><i>Contribute to sustainable improvement of incomes of poor people in rural areas in Viet Nam</i></p>	<p>Poverty: <u>Poor households' relative improvement of assets ownership index*</u> <u>Reduced child malnutrition* (f/m)¹:</u> % underweight (low weight for age), % stunting (low height for age), % wasting (low weight for height)</p> <p>Percentage of poor households in participating communes</p> <p><i>Rising</i> position of the two Provinces on the National Human Development Index</p> <p>Food Security: <u>Number of households that have improved food security</u></p> <p>Replicability: Number of provinces demonstrating interest in adopting the programme approaches to decentralised planning and budget management, and to improving the rural side of value chains</p> <p><i>* RIMS anchor indicators</i></p>	<p>Results & Impact Surveys (base-line, mid-term and completion)</p> <p>Results & Impact Surveys (base-line, mid-term and completion)</p> <p>Annual poverty assessments by the Ministry of Labour, Invalids and Social Affairs</p> <p>National Human Development Report</p> <p>Results & Impact Surveys (base-line, mid-term and completion)</p> <p>PCU records</p>	

¹ (f/m) means gender-disaggregated data collection.

A. RESULTS	INDICATORS (RIMS AND OTHERS) WITH TARGETS	M&E MECHANISMS AND SOURCES	ASSUMPTIONS AND RISKS
<p>Programme Purpose</p> <p><i>To facilitate the rural poor's access to and participation in markets in Ha Tinh and Tra Vinh Provinces, with relevance elsewhere in Viet Nam</i></p>	<p>Number of underemployed people (f/m) resident in the programme area at start-up who have achieved employment</p> <p><i>Increased</i> farm gate prices relative to the end value (of the three principal farm products per province)</p> <p>Number of jobs created in supported businesses (employed/self-employed)</p> <p>Extra: Number of participating communes in which government staff apply the improved planning processes</p> <p>Number of provinces participating in sharing programme experience on commune planning and budget management</p>	<p>Commune/District/Provincial statistics</p> <p>Annual commune reports</p> <p>Impact surveys by the KMU</p> <p>Surveys by PCUs</p> <p>PCU records on attendance of study tours and conferences</p> <p>Invitations of PCU and provincial staff to other provinces for experience sharing</p>	<p>Assumptions:</p> <p>Overall development efforts and investments in the programme provinces do not lag behind other provinces</p> <p>Results from Ha Tinh and Tra Vinh Provinces prove to be interesting to and replicable in other provinces</p>
B. OUTCOMES	INDICATORS (RIMS AND OTHERS) WITH TARGETS	M&E MECHANISMS AND SOURCES	ASSUMPTIONS AND RISKS
<i>1. Commune Market Opportunities Support Component</i>			
<p>Communes spend the Commune Market Opportunity Budgets (CMOBs) according to their priorities and market opportunities</p>	<p>100% of annual CMOB audits satisfactory</p> <p>X% increase of total value of production output</p> <p>X% increase of the value of marketed production</p> <p><u>Number of functioning (that is, found by PCU staff to be reasonably maintained) infrastructure projects (by type)</u></p> <p>80% of the poor state that at least 80% of CMOB investments meet their needs</p>	<p>Programme audit reports (including CMOB audits)</p> <p>Annual commune reports</p> <p>Annual commune reports</p> <p>Commune reports, verified by an opinion by the head of the Commune Planning Unit</p> <p>Surveys by PCUs</p>	

B. OUTCOMES	INDICATORS (RIMS AND OTHERS) WITH TARGETS	M&E MECHANISMS AND SOURCES	ASSUMPTIONS AND RISKS
<i>2. Enterprise/Job Facilitation and Market Development Component</i>			
Improved ability of the people in poor communes to participate in labour, commodity and finance markets	<p>2A. <i>At least 80% of the participants in job skill training get stable jobs² (m/f; poor/ non-poor; minority/ non-minority)</i></p> <p><i>Improved provincial performance in the Labour Training sub-index of the Provincial Competitiveness Index</i></p> <p>2B. <u>Number of enterprises established/ strengthened: 50% of participating entrepreneurs and collaborative groups, and 50% of participating farmers report measurable improvements to their businesses³</u></p> <p><i>At least 10 % of the entrepreneurs involved in the participating communes⁴ have increased employment or goods purchases from poor households</i></p> <p><i>Improved provincial performance in: (a) the overall Provincial Competitiveness Index, and (b) the Private-Sector Development Services sub-index</i></p> <p>Amount of financing mobilised by entrepreneurs in the two provinces from the M4P-2 Challenge Fund</p> <p>Number of business plans eligible for programme financing (hhs/ SMEs)</p> <p>Number of business plans accepted for financing by banks (hhs/ SMEs)</p> <p><u>Number of jobs created by SMEs</u></p>	<p>Vocational training centre (VTC) and enterprise reports, based on student feedback when certificates are collected</p> <p>Representative surveys by the PCU in both VTCs and enter-prises 6 months after the training</p> <p>Regular publications by the Vietnam Chamber of Commerce and Industry</p> <p>Impact surveys by the KMU</p> <p>Impact surveys by the KMU (reference data available for 2006)</p> <p>Regular publications by the Vietnam Chamber of Commerce and Industry</p> <p>M4P-2 records</p> <p>Records of the Business Support Team of the PCU</p> <p>Records of the Business Support Team of the PCU</p> <p>Impact surveys by the KMU</p>	<p>2A. <i>Members of ethnic minorities who have participated in the skills training may lack motivation to accept jobs that are far from their communities.</i></p> <p>2B. <i>Too few enterprises may expand their operations in the programme area.</i></p> <p><i>In the participating communes that improve their market access, the poorest including ethnic minorities may be constrained in benefiting from the improvement.</i></p>
<i>3. Enterprise Financing Component</i>			
Appropriate and innovative financial services are available in the participating communes	<u>VBARD programme loan portfolio of US\$5.76 million by end-PY4, by purpose (hhs/ SMEs, f/m)</u>	For all VBARD savings and loan indicators:	<p><i>Risks:</i></p> <p><i>For the line of credit, there is little risk that the credit would not be available in the</i></p>

² Defined here as still being employed after 6 months with the perspective of continued employment.

³ Examples for improvements: more workers employed, production diversified, and products modified to suit demand.

⁴ This includes SMEs based outside the participating communes that are economically active within them.

B. OUTCOMES	INDICATORS (RIMS AND OTHERS) WITH TARGETS	M&E MECHANISMS AND SOURCES	ASSUMPTIONS AND RISKS
<p>and elsewhere in the provinces</p>	<p>Number of active programme loans (hhs/ SMEs)</p> <p>◆<u>Number of active programme borrowers (f/m, poor/non-poor, Khmer)</u></p> <p><u>Less than 3% portfolio-at-risk of programme loan portfolio (hhs/ SMEs)</u></p> <p>Programme loan portfolio <i>makes up at least 80%</i> of the VBARD programme loan facility</p> <p><i>Annual positive profit</i> of the participating Provincial VBARD offices (equals: more than 100% operating self-sufficiency)</p> <p><u>At least 5% annual increase of the VBARD savings portfolio in participating communes (m/f)</u></p> <p>To verify additionality: <i>positive real growth rate of</i>: total VBARD loan portfolio in the 2 Provinces minus the programme loan portfolio (hhs/ SMEs)</p> <p>Original amount of equity capital financed: <i>US\$1.00 million by end-PY4</i></p> <p>Number of equity investments</p> <p>Current value of the equity financed</p> <p>Number of jobs created per programme financing: <i>>1 job per US\$1 000 of programme-financed loans or equity</i></p>	<p>VBARD's MIS for project accounts (based on its regular management system)</p> <p>VBARD's records of its venture capital facility</p> <p>Impact surveys by the KMU</p>	<p><i>participating communes and elsewhere in the two provinces, the only risk is that the funds would not be used for enterprises that sufficiently benefit programme communes and the poor members of those communes</i></p> <p><i>For the venture capital fund, there is the risk that there could be too few SMEs that meet the criteria for funding by the fund within the two provinces to make the operation of the fund financially viable</i></p> <p>Assumption: the jobs created by SME financing are accessible to the rural poor and ethnic minorities</p>
<p>4. Programme Coordination Component</p>			
<p>Capacity to implement pro-poor market-oriented processes developed, and the experience shared</p>	<p>4A. Programme disbursement of IFAD loan as scheduled</p> <p>100% of programme audit reports unqualified and on-time</p> <p>100% of programme AWPBs satisfactory and on-time</p> <p>Number of operational Women's Savings and Credit Groups (WSCGs), active WSCG members (m/f ; minority/ non-minority), total WSCG savings, total WSCG loan portfolio, PAR (> 30 days), % of satisfactory annual WSCG reviews</p>	<p>PCU records</p> <p>Cooperating Institution</p> <p>Cooperating Institution</p> <p>Reports by WSCG support agency</p> <p>Annual assessment by the head of the Commune Planning Units</p>	<p>No significant assumptions</p> <p>Assumption: attending public relations events on the programme's management approaches is an expression of genuine interest.</p>

B. OUTCOMES	INDICATORS (RIMS AND OTHERS) WITH TARGETS	M&E MECHANISMS AND SOURCES	ASSUMPTIONS AND RISKS
	<p><i>Both</i> Provinces formally integrate the decentralisation of planning and budget administration to the commune level in the provincial planning tools</p> <p>4B. 100% of programme progress reports on-time</p> <p>Number of high-level government and donor visits to programme activities conducted</p> <p>Number of provinces participating in sharing programme experience on approach for improving the rural side of value chains.</p>	<p>Cooperating Institution</p> <p><i>KMU records</i></p> <p><i>KMU records on attendance of study visits and seminars</i></p>	
<i>5. Performance Incentive Budget Component</i>			
Successful programme activities expanded	Achieved number of targets that have been increased according to the allocation of the Performance Incentive Budget	KMU information system	No significant assumptions
C. OUTPUTS	INDICATORS (RIMS AND OTHERS) WITH TARGETS	M&E MECHANISMS AND SOURCES	ASSUMPTIONS & RISKS
Overall Programme	Number of persons receiving direct programme services (f/m, poor/non-poor, Khmer)	PCU records: adding up all the indicators marked with a ♣, eliminating any double counting	
<i>1. Commune Market Opportunities Support Component</i>			
<p>1A & 1B. Market opportunity planning conceptualised and operational for the programme communes, based on Rapid Market Appraisals (RMAs) and participatory processes</p> <p>1C. CMOB administration operational to support the market-related management capacity, women's savings and credit groups and market-related infrastructure</p>	<p>1A. Number of village awareness seminars</p> <p><i>1 120 persons</i> trained in commune planning (m/f)</p> <p><i>160</i> commune-based persons trained in accounting (m/f)</p> <p>1B. Number of village priority meetings</p> <p>Number of participants of village priority meetings (f/m, poor/non-poor, Khmer)</p>	<p>Commune reports</p> <p>Commune reports</p> <p>PCU training records</p> <p>Commune reports</p> <p>Commune reports</p> <p>Commune reports</p> <p>PCU documents registry</p> <p>Commune reports</p> <p>Commune reports</p> <p>Commune reports</p> <p>Commune reports</p> <p>Commune reports</p> <p>Commune reports</p>	<p><i>A risk is that while the majority of the population of the participating poor communes improve their access to the markets, the poorest including ethnic minorities may be constrained in so doing</i></p>

C. OUTPUTS	INDICATORS (RIMS AND OTHERS) WITH TARGETS	M&E MECHANISMS AND SOURCES	ASSUMPTIONS & RISKS
	<p>90% of the planning exercises (village priority meetings and CMOB preparation sessions) apply the core programme process⁵</p> <p>240 approved Commune Market Opportunity Plans (overall/ updated)</p> <p>1C. CMOB disbursement for market-related capacity-building</p> <p>CMOB disbursement for capitalising women's savings & credit groups</p> <p>CMOB disbursement for infrastructure</p> <p><u>Number of infrastructure projects implemented (by type)</u></p> <p><u>km of roads constructed/ rehabilitated</u></p> <p><u>ha of irrigation schemes rehabilitated/ constructed</u></p> <p>♣52 000 persons receiving direct benefits from CMOB projects (f/m, poor/non-poor, Khmer) including: <u>Number of farmers working on rehabilitated/ new irrigation schemes</u></p>	<p>Commune reports on completed CMOB projects: training, capacity-building, capitalisation of WSCGs, infrastructure with directly identifiable beneficiaries (roads and other general infrastructure would not be reflected here)</p>	
<i>2. Enterprise/Job Facilitation and Market Development Component</i>			
<p>2A. The poor know about and use job linkage and skills development training</p> <p>2B. - Improved environment for business development, service provision and commodity market linkage within both provinces</p>	<p>2A. ♣25 000 people (50% women) successfully trained in productive skills⁶ (f/m, poor/non-poor, Khmer):</p> <ul style="list-style-type: none"> - 12 000 in commune-based courses - 8 000 in province and district courses - 5 000 in enterprise-based courses <p>2B. Provincial Trade and Investment Fair undertaken successfully</p>	<p>Training records of the participating VTCs and enterprises</p> <p>All indicators for 2B: Records of the PCU Business Support Team</p>	<p><i>Ethnic minority members who attended the skills training may be regarded as poorly trained as a result of quotas; and may lack the motivation to take jobs that are far from their communities</i></p> <p><i>Too few enterprises expanding operations in the provinces</i></p>

⁵ This would include the essential requirements of the standard CMOP process, namely: a) use of planning information (market studies), b) involvement of private sector operators, c) determination of priorities in stakeholder sub-groups, and d) budgeting of available CMOB funds according to the programme's eligibility standards.

⁶ Defined as participants receiving certificates after short-term job skills training courses.

C. OUTPUTS	INDICATORS (RIMS AND OTHERS) WITH TARGETS	M&E MECHANISMS AND SOURCES	ASSUMPTIONS & RISKS
<p>- Facilitation of forward and backward enterprise linkages in value chains within both provinces</p> <p>- Successful provision of business development services for MSME within both provinces</p>	<p>Provincial Trade and Investment Directory produced and distributed</p> <p>Provincial Business Development Board formed and operational</p> <p>Number of commodity groups identified (agricultural-based/other stakeholder groups)</p> <p>Stakeholder groups with women leaders (agricultural-based/other groups)</p> <p>♣ Number of entrepreneurs/collaborative groups/farmers that are using the support packages (f/m, poor/non-poor, Khmer)</p> <p>Business and Market Linkage Support Fund established and operational</p>		
<i>3. Enterprise Financing Component</i>			
<p>VBARD's capacity to extend loans for productive investments by households and SMEs is increased</p> <p>VBARD venture capital fund established</p>	<p>Number of loan officers and other staff trained in loan appraisal and follow-up (m/f)</p> <p>Draw-down of IFAD credit funds: <i>100% by end-PY4</i></p> <p>Statute, operations manual of the venture capital fund completed</p> <p>Board of the venture capital fund appointed</p> <p>Staff of the venture capital fund appointed and trained</p>	<p>VBARD training records</p> <p>KMU documents registry</p> <p>Notification by VBARD to KMU</p> <p>VBARD training records</p>	<p>No significant assumptions</p>
<i>4. Programme Coordination Component</i>			
<p>4A. The PCUs have sufficient capacity for programme management</p> <p>Provincial Working Group on Decentralisation established and operational</p> <p>4B. The KMU is established and operational</p>	<p>4A. <i>100%</i> of agreed PCU staff on post</p> <p>Number of PCU staff trained in participatory approaches</p> <p>Number of PCU staff trained in M&E</p> <p>♣ Number of WSCG members trained (f/m, poor/non-poor, Khmer)</p>	<p>PCU records</p> <p>PCU records</p> <p>PCU records</p> <p>WSCG support agency reports</p> <p>Contracted agency reports</p> <p>PCU records</p> <p>KMU records</p> <p>KMU records</p> <p>KMU records</p>	<p><i>Risk: Due to the innovative character of the programme and the lack of familiarity with market-based development, it could be difficult to find suitably qualified staff to fill key management position</i></p> <p><i>Risk: The successful implementation of the KMU is contingent on the financing of the second phase of M4P from DFID</i></p>

C. OUTPUTS	INDICATORS (RIMS AND OTHERS) WITH TARGETS	M&E MECHANISMS AND SOURCES	ASSUMPTIONS & RISKS
	♣2 700 persons trained in literacy (f/m, poor/non-poor, Khmer) Number of WSCG support agency staff trained (m/f) Meeting minutes and agreed activity plan 4B. 100% of agreed KMU staff on post Number of seminars and workshops conducted Number of analytical papers published		
<i>5. Performance Incentive Budget Component</i>			
Resources are made available for effective programme activities	% of Performance Incentive Budget resources allocated according to technical and geographic criteria and following thorough evaluation	Programme supervision reports by Cooperating Institution	No significant assumptions

IMPLEMENTATION ARRANGEMENTS AND RESPONSIBILITIES

A. Programme Coordination and Management

1. **Programme coordination and oversight.** The following bodies would be responsible for guiding programme implementation and ensuring efficient implementation.

- Provincial Programme Management Advisory Committee. This committee would operate as the senior decision making body for the programme in each province, responsible for reviewing the AWPBs and procurement plan and for providing high level policy and strategic guidance, chaired by the Chairperson of the Provincial People's Committee (PPC). The PPC would be responsible for formally endorsing the AWPBs and procurement plan.
- Common Interest Forums. Programme management, in consultation with the Programme Management Advisory Committee, would form a number of forums to represent the concerns and aspirations of key interest groups in each province.
- District Programme Management Advisory Committees. This committee would have responsibility for coordinating programme activities at the district level, ensuring synergies and lessons learned are shared among its communes, and ensuring the efficiency of the District Programme Support Team, chaired by the Chairman of the District People's Committee.
- Commune Programme Management Advisory Committees. This committee would act as a reference group for the commune to ensure that all stakeholders are fairly represented in decision-making and would oversee the work of the Commune Planning Support Team. It will include representatives of the different segments of society in the commune including: the Commune People's Committee (CPC), villages, women, youth, ethnic minorities,

2. **Programme management arrangements.** Programme management would operate at province, district and commune levels through the Provincial Coordination Units, District Programme Support Teams; and Commune Programme Support Teams. At the central level, there would be a Knowledge Management Unit, supporting management.

- Provincial Coordination Unit. Each PCU would have the following staffing: Programme Director, Deputy Director, Credit Coordinator, Market, Jobs and Business Development Unit, Commune Planning Unit, M&E and Economic Assessment Unit, Finance and Administration Unit and support staff.
- District Programme Support Teams. The Team would be responsible to support programme activities in its district and would have three key areas of concentration: monitoring and evaluation, backstopping commune planning and implementation, and building up the capacity of the district in promoting market/business development. Two full-time staff would be recruited by the PCU: M&E/Planning Assistant and Marketing/BDS Assistant. The Chairman of the District People's Committee would be involved in a part-time basis.
- Commune Programme Support Teams. The Team would be responsible to support programme activities in its commune. Two full-time staff would be recruited by the PCU: Commune Development Facilitator and CMOB Accountant, supported by two senior members of the Commune People's Committee: the Chairperson and the Cashier, who would participate on a part-time basis.
- Knowledge Management Unit (KMU). The KMU would play a proactive role in knowledge sharing, implementation support in specialised areas of market development and

innovative financing initiatives, support for monitoring and reporting, communication and advocacy, bringing together responses to policy issues in each province, aid coherence and effectiveness.

B. Implementation arrangements by component

3. **Commune market opportunities support.** The implementation of the component would involve four bodies: (i) the PCU-based Commune Planning Units (one per province), (ii) Commune Programme Support Teams, (iii) Commune Programme Management Advisory Committee and (iv) commune stakeholder groups. A cornerstone of commune planning in developing ideas for the commune market opportunity plan would be stakeholder groups. They would not necessarily be based within a single village, and could include groupings based on occupation/activity, gender, ethnicity, age or shared interest. The commune planning process would be repeated annually over the three-year period during which the Commune Market Opportunities Budget would be implemented.

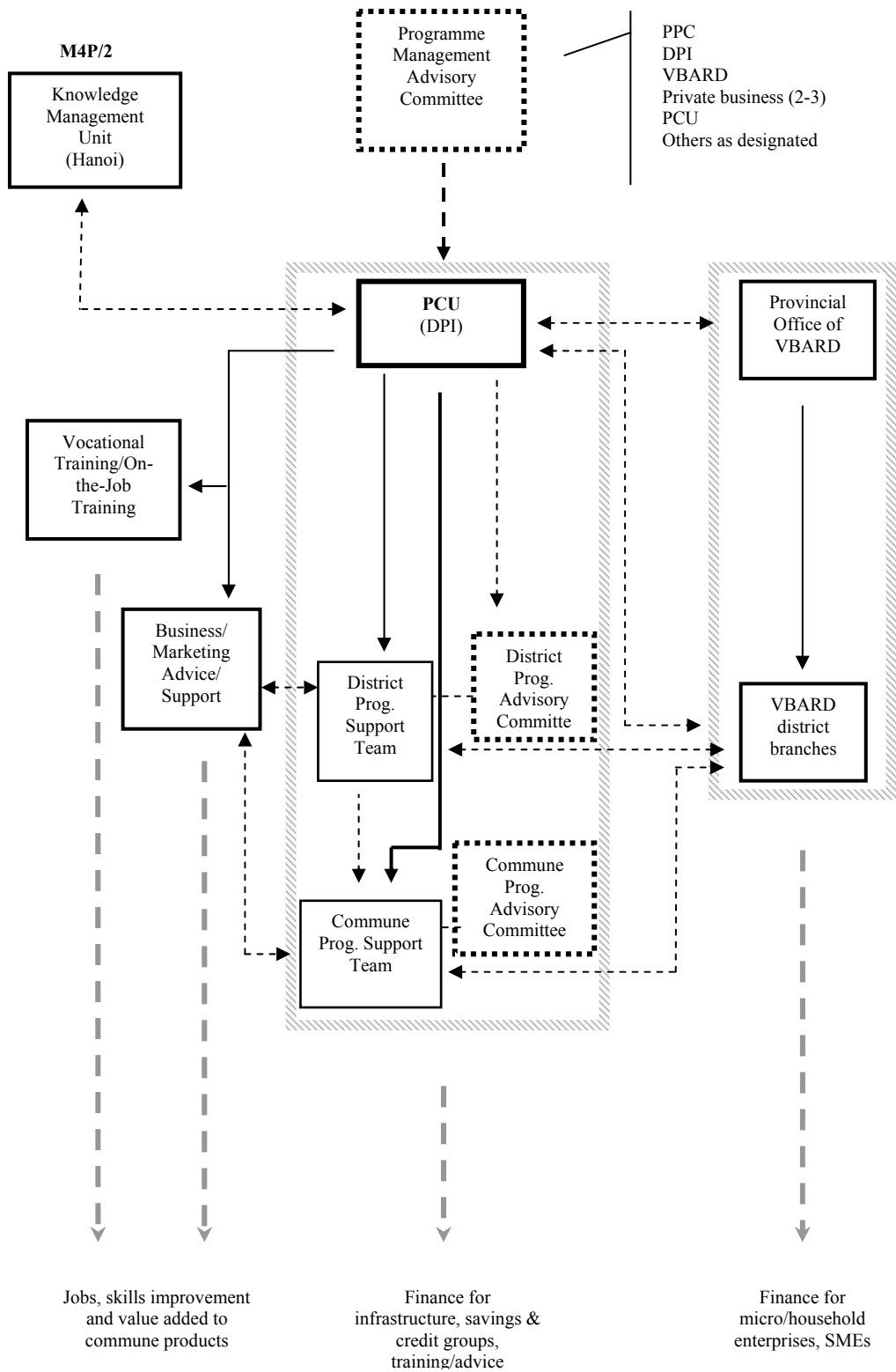
4. **Jobs/enterprise facilitation and market development.** The Jobs Linkage and Skills Improvement and Market Development and Business Support subcomponents would involve four bodies: (i) Market, Job and Business Development Unit of the PCU in each province, (ii) support by TA funded by GTZ, (iii) District Programme Support Teams, and (iv) Commune Programme Support Team. The Market, Job and Business Development Unit would operate as a mobile team and spend much of their time in the first two years with programme communes assessing demand and subsequently success in skills training and job placement; and enterprises, identifying those that have a demand for labour that could be met by poor households and those that would be interested in partnering with the programme in training workers to take up jobs in their enterprises. Support would be made available for households within programme communes carrying out or wishing to embark on processing, marketing or service businesses which improve livelihoods; collaborative groups within supported communes wishing to undertake similar value adding business activities; and existing SMEs and private entrepreneurs within the province creating jobs or providing services which tie into the value chains of programme beneficiaries.

5. **Enterprise financing.** The VBARD provincial branches would assume full responsibility for implementing the programme's line of credit and the pilot venture capital funds. The Line of Credit would be guided by a credit policy and operations manual that would be finalized at the beginning of the programme. pilot venture capital funds would be two separate provincial 'Trusts' whose objectives are geared to encouraging investment in job creating SMEs within the province in a sustainable and profitable way, through direct investments. The Funds would be managed on a contract basis by VBARD, whose fee for managing them would initially be paid by the programme. Technical assistance sourced from the programme's Knowledge Management Unit would be recruited at the start of the programme to assist the VBARD provincial and headquarters staff from both the SME Department and the Investment Department, in drafting both the detailed charter for the Funds and their implementation manuals.

APPENDIX V

ORGANIGRAMME

IMPLEMENTATION ARRANGEMENTS



PROCUREMENT ARRANGEMENTS
(US\$ '000)

	Procurement Method						Total
	Local Competitive Bidding	Local Shopping	Force Account	Community Participation in Procurement	Financial Intermediaries	Other /a	
Civil Works	152 (138)	-	-	-	-	-	152 (138)
Vehicles	412 (181)	-	-	-	-	-	412 (181)
Equipment and Materials	99 (75)	296 (226)	-	-	-	-	394 (302)
Training and Workshops	-	4 998 (3 721)	-	-	-	-	4 998 (3 721)
Technical Assistance and Studies	-	4 731 (979)	-	-	-	-	4 731 (979)
Commune Budget-supported Activities	-	-	-	13 617 (11 603)	-	-	13 617 (11 603)
Enterprise and Market Support Fund TA	-	1 320 (910)	-	-	-	-	1 320 (910)
Performance Incentive Budget	-	-	-	-	-	1 500 (1 500)	1 500 (1 500)
On lending Funds and Venture Capital	-	-	-	-	7 000 (5 800)	-	7 000 (5 800)
Salaries and Allowances	-	1 427 (374)	951 (249)	-	-	-	2 378 (623)
Operating and Maintenance	-	798 (231)	-	-	-	-	798 (231)
Total	663 (395)	13 570 (6 441)	951 (249)	13 617 (11 603)	7 000 (5 800)	1 500 (1 500)	37 301 (25 988)

Note: Figures in parenthesis are the respective amounts financed by the IFAD Loan.

\a The procurement methods for the Performance Incentive Budget would be determined with the reallocation to be proposed at the MTR.

