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Enabling poor rural people
to overcome poverty

Socialist Republic of Viet Nam

Country strategic opportunities programme

Executive Board — Ninety-fourth Session
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For: **Review**

Note to Executive Board Directors

This document is submitted for review by the Executive Board.

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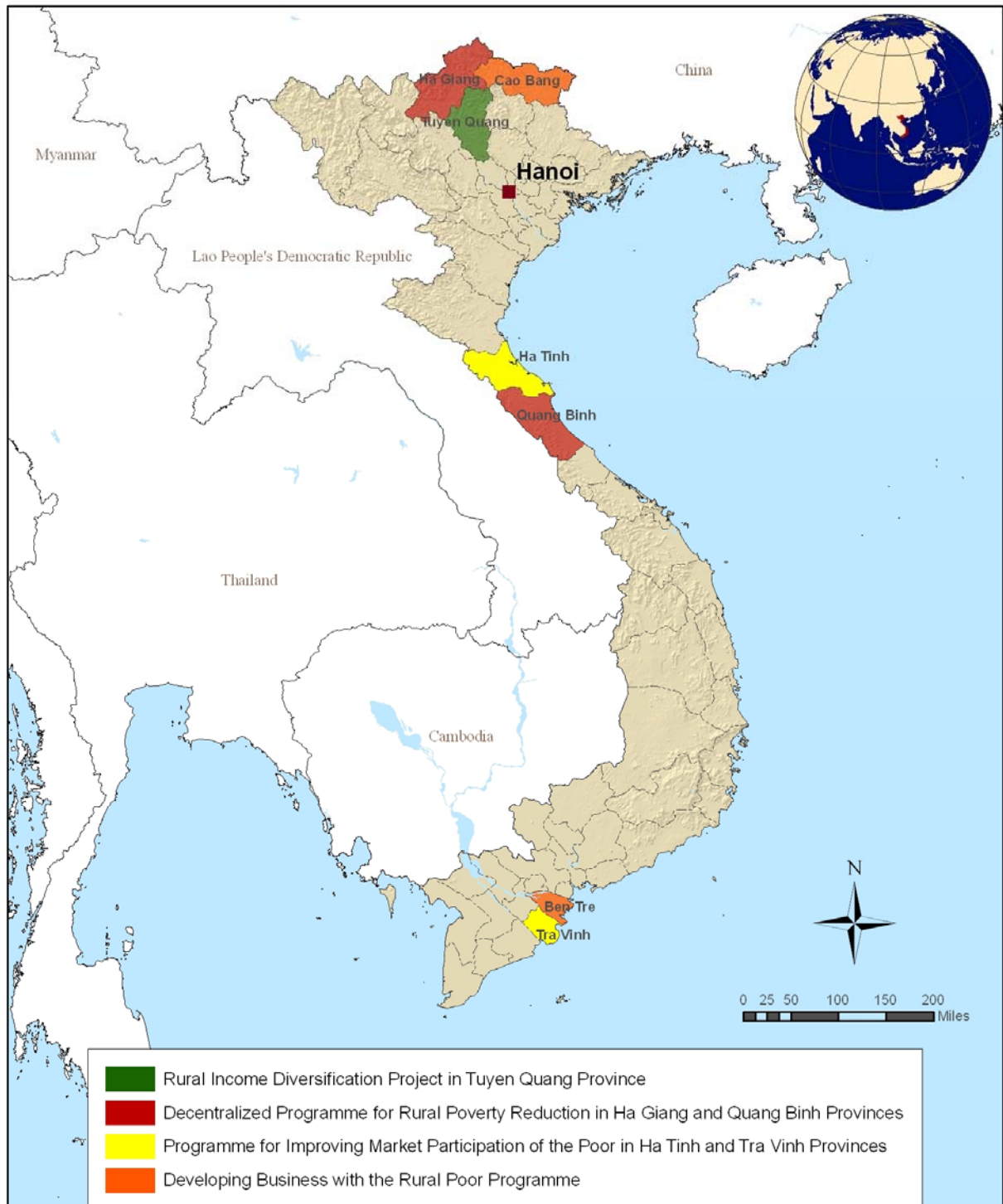
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Abbreviations and acronyms

COSOP	country strategic opportunities programme
CPMT	Country Programme Management Team
M&E	monitoring and evaluation
MARD	Ministry of Agriculture and Rural Development
ODA	official development assistance
PPCs	Provincial People's Committees
SEDP	Socio-economic Development Plan

Map of IFAD operations in Viet Nam



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.

Summary of country strategy

1. Two decades of rapid economic growth have transformed Viet Nam from a country struggling to meet the basic subsistence needs of its people to an emerging market economy with ambitions to achieve middle-income country status. The economy is becoming more diversified, with a growing private-sector share and an increasing number of small, medium and large enterprises. Viet Nam's accession to the World Trade Organization, membership in the Association of Southeast Asian Nations/ASEAN Free Trade Area, export growth and increasingly educated labour force have created a favourable investment climate, including for foreign direct investment. The emerging opportunities are therefore considerable.
2. Since most people live in rural areas and derive their livelihoods from agriculture, the strong performance of agriculture in the past largely explains the impressive inroads that Viet Nam has made on overall poverty reduction. Agriculture remains the main source of occupation for the majority of the population and an important source of job creation to absorb the large rural labour force. While there are potential opportunities for further poverty reduction as markets for exports expand and investment creates more jobs, improving the productivity, profitability and sustainability of smallholder agriculture is the most effective pathway for poverty reduction. However, sustainability of these efforts depends on many factors, including initiatives to improve the skills of the poor and their capacity to respond to shocks arising from market fluctuations, and effective measures to adapt to climate change.
3. Continued growth, graduation to mid-income country status and integration with the world economy, and the commitment of the Government of Viet Nam to poverty reduction embodied in its Socio-economic Development Plan (SEDP) provide the backdrop for a dramatic reduction in poverty. The SEDP underscores the need for a coherent and integrated approach to sustainable development and, while continuing to emphasize economic growth, also identifies enhanced social equity and environmental sustainability as essential. The plan anticipates that Viet Nam will enter the ranks of developed countries by 2020, with a knowledge-based economy and stable and secure livelihoods for all sections of society.
4. The starting point of IFAD's country strategic opportunities programme (COSOP) 2008–2012 is the growing disparity in livelihoods between rural and urban areas – and particularly the plight of poor people in upland areas.^a These rural poor communities will be one of the main challenges for poverty reduction in Viet Nam during the next five years and beyond. IFAD's comparative advantage will lie in maintaining a mandate that is tightly focused on innovative methods for poverty reduction and agricultural and rural development; forming strong partnerships with the provinces; ensuring flexible project design and implementation promoting government ownership; and providing feedback to policy from its loans and grants. Furthermore, IFAD must make sure that its investments take account of climate change scenarios and contribute to adaptation measures.
5. It is in this context that the following four interlinked strategic objectives are proposed: (i) rural poor households in upland areas access markets through increased private-sector partnerships; (ii) poor and vulnerable households take advantage of profitable business opportunities; (iii) poor upland communities secure access to and derive sustained benefits from productive natural assets; and (iv) rural poor people contribute to pro-poor, market-driven agricultural policy processes at subnational levels.

^a Uplands is a term used by the Committee for Ethnic Minorities to refer to 20 highland and midland mountainous provinces in central and northern Viet Nam. In addition, there are another 114 upland districts in another 26 provinces. The uplands have a complicated topography and are generally inhabited by ethnic minority groups.

Socialist Republic of Viet Nam

Country strategic opportunities programme

I. Introduction

1. Viet Nam aims to reach middle-income country status by 2010. The transformation from a planned economy to a market-oriented economy has had a liberating effect on people's productivity and released their desire for higher living standards. The macroeconomic reforms initiated in 1987 liberalized internal trade by introducing land-use rights, allowing market prices for non-essential commodities and abolishing the rationing system and price regulations for purchasing rice and other agricultural commodities. These reforms stimulated a supply response to growing demand and promoted the circulation of goods. Market opportunities induced quick transition from subsistence to market-oriented farming in Viet Nam with economic liberalization and rapid economic growth. As a result, two thirds of the smallholders engaged in subsistence farming in 1992 were market participants by 1998.¹ About 73 per cent of the population live in rural areas and agriculture remains their main source of living.
2. Before defining its new results-based country strategic opportunities programme (COSOP), IFAD was requested to participate in a Government-led review of its country programme under COSOP 2002-2007. During this period, IFAD provided some US\$71 million in financing for three projects/programmes in Viet Nam. The review formed the basis for formulating the present COSOP, which will serve as the framework for IFAD's country programme during 2008-2012. The COSOP aligns IFAD's support with the Government's Socio-economic Development Plan (SEDP) 2006-2010 and with the principles of the Hanoi Core Statement on Aid Effectiveness. Stronger alliances will be forged with other United Nations agencies within the context of the United Nations reform process in Viet Nam.
3. COSOP preparation and consolidation included the following steps and partnerships: (i) formation of the Country Programme Management Team (CPMT) in May/June 2007; (ii) a Government-led country programme review in July/August 2007; (iii) a poverty analysis carried out by students from Lund University, Sweden, in September 2007; (iv) a joint analysis of the effects of climate change,² carried out with the Global Mechanism of the United Nations Convention to Combat Desertification from October 2007 to April 2008; (v) a COSOP formulation mission for the preparation of working papers in November 2007,³ including consultation with key development partners; (vi) a partnership with the Global Environment Facility (GEF) and GEF endorsement of the preparation of a project proposal with IFAD support received in February 2008; (vii) translation of the draft document for circulation to Government counterparts in March 2008; and (viii) a joint Government/IFAD COSOP consolidation mission⁴ in April 2008, with field visits to

¹ World Bank, World Development Report 2008: Agriculture for Development.

² The purpose of the joint analysis was to ensure the sustainability of IFAD investments in the context of predicted climate change scenarios and the exacerbation of land degradation in Viet Nam. The analysis identified preliminary activities for mainstreaming adaptation to climate change interventions and mobilizing supplementary financing through the pursuit of greenhouse gas mitigation measures.

³ The working papers included: agriculture, rural finance, climate change (in collaboration with the Global Mechanism), knowledge management, poverty baseline and country programme management.

⁴ The members of the final COSOP mission included Francesco Goletti (Team Leader), Vo Tong Xuan (Special Advisor), Garry Smith, Stewart Pittaway, Bhujang Rao Dharmaji, Luong Quang Huy and Narasimhan Srinivasan (IFAD consultants); Sunil Abraham (Manager of Knowledge Networking for Rural Development in Asia/Pacific Region – ENRAP); Luu Quang Khanh and Dao Trinh Bac (Ministry of Planning and Investment); Chu Tac Nhan and Bui Dinh Vinh (Office of the Government); Nguyen Huong Yen and Duong Quynh Le (Ministry of Finance); Thomas Elhaut (Director, Asia and the Pacific Division); Nguyen Thanh Tung (Country Presence Officer); and Atsuko Toda (Country Programme Manager).

potential project provinces, a consultation workshop with national research partners and think tanks in agriculture, and a meeting with the focal points of grants initiated by IFAD.

4. A country programme evaluation⁵ is planned for 2010. This will serve to realign the COSOP at mid-term with the country's developments and with the goals and objectives formulated for SEDP 2011–2015.

II. Country context

A. Economic, agricultural and rural poverty context

Country economic background

5. Two decades of rapid economic growth have transformed Viet Nam from a country struggling to meet the basic subsistence needs of its people to an emerging market economy with ambitions to achieve middle-income country status. Between 2001 and 2007, Viet Nam's GDP grew an average of 7.8 per cent a year, or 6.7 per cent in per capita terms, translating into an increase in GDP per capita from US\$415 to US\$835. Growth of 8.5 per cent was achieved in 2007 and 7.4 per cent for the first quarter of 2008. The Government has established a GDP growth target of 7 per cent for 2008, revised downwards from 8.5 per cent due to high inflation.⁶ The population, estimated at 84 million, of which 73 per cent is rural, is growing at a rate of 1.3 per cent per year. Some 54 per cent of the total labour force is directly involved in agriculture, forestry and fishery production. In 2007, about 1.7 million new jobs were created and 82,500 migrant labourers were registered as living abroad.
6. The economy is becoming more diversified with a growing private-sector share and an increasing number of small, medium and large enterprises. Viet Nam's accession to the World Trade Organization, membership in the Association of Southeast Asian Nations/ASEAN Free Trade Area, export growth and an increasingly educated labour force have created a favourable investment climate, including for foreign direct investment (FDI). Total FDI in 2007 was US\$20.3 billion, and the total foreign capital investment reached US\$87 billion at the end of April 2008. In 2007, international donors pledged official development assistance (ODA) of US\$5.4 billion, of which roughly half for projects such as roads, ports and power generation.⁷ Overseas remittances are estimated at US\$6 billion a year. Export growth since 1990 has increased faster than in China, with the strongest growth coming from foreign-owned factories. In 2007, total export earnings reached US\$48.5 billion, a 21.9 per cent increase year-on-year, while imports grew by 39.4 per cent to reach US\$62.7 billion. Foreign exchange reserves were recorded at US\$10.2 billion in 2007.
7. Viet Nam is challenged by high inflation and a growing trade deficit, reflecting both an expansion in domestic demand and higher international prices of key imported commodities such as petroleum products and other material inputs. The consumer price index (CPI) in December 2007 increased 2.91 per cent bringing CPI growth to 12.6 per cent, far exceeding economic growth, which averaged 8.5 per cent, mainly as a result of higher food prices. In response to the deterioration of macroeconomic conditions, in March 2008, the Government switched its priority to economic stabilization, cutting government expenditures, stopping inefficient public investment projects, postponing new ones and allowing greater exchange rate flexibility.

⁵ The last country programme review and evaluation for Viet Nam was carried out in close consultation with the Government by the then Office of Evaluation and Studies of IFAD in 2000.

⁶ Inflation has accumulated over a twelve-month period reaching 25 per cent by end of May 2008. (World Bank, Report of the mid-year Consultative Group Meeting for Viet Nam, June 2008).

⁷ Official development assistance disbursement is roughly US\$2 billion (Ministry of Planning and Investment, June 2008).

Agriculture and rural poverty

8. The combined growth of the agriculture, forestry and fisheries sector has remained steady at an average of 3.7 per cent a year over the last five years – this despite outbreaks of animal disease and unfavourable climatic conditions, including a harsh winter in the northern and central regions in the first quarter of 2008. Due to the increased grains output, which in 2007 was 5.5 million tons higher than in 2000, the average amount of food per person increased from 420 kilograms in 2001 to 470 kilograms in 2007. Viet Nam is a major exporter of food products and exports more than 4 million tons of rice every year. While, as a whole, the country gains from higher food prices, in some rural areas, the international price rises are not transmitted to small farmers. Agricultural exports reached US\$12.5 billion, i.e. 25.8 per cent of total exports in 2007. Agricultural export growth was sustained at almost 20 per cent over the 2002-2007 period, the result of continued improvement in productivity and quality, improved infrastructure from production areas to ports, and improved access to market and technical information and communication. The main products exported are agricultural crops (rice, coffee, cashew nuts, black pepper, tea, rubber, vegetables) and aquatic products (shrimp, prawns, etc.). Livestock and aquaculture production has grown by about 7-8 per cent a year. The push from international markets for higher quality and safety is transforming the marketing system for food and agricultural products.
9. Viet Nam has had difficulty increasing agricultural production more recently, as arable land has become less available, costs of inputs such as fertilizer have escalated and crop yield productivity stagnated. Growth in other sectors of the economy (industry 10.2 per cent, construction 11.1 per cent and services 8.7 per cent in 2007) has been much higher than in the agriculture sector, which explains the declining share of agriculture in the GDP (from about 25 per cent in 2000 to 21 per cent in 2006). It is expected that agriculture's share of economic output will continue to shrink, reaching about 15 per cent by 2010. The declining share of agriculture is not accompanied by a corresponding declining share of agricultural labour in total labour, implying that labour productivity growth in agriculture is less than in other sectors. Past growth in agriculture has been the outcome of land policy changes (land use rights given to farm households rather than to state farms) and the expansion in key physical factors of production (land, labour, irrigation and inputs). These key factors are now approaching their physical and financial limitations. The labour force in the agriculture sector is declining annually by 2 per cent against non-agricultural sectors such as small industries, trade and services. Private investment in agriculture only accounts for 15 per cent of new investment projects every year, and foreign direct investment accounts for less than 5 per cent.
10. Since the majority of the population live in rural areas, the strong performance of agriculture in the past largely explains the impressive inroads the country has made on overall poverty reduction and the positive impact on smallholder farmers and others who derive their livelihoods from agriculture. While there are potential opportunities for further poverty reduction as markets for exports expand and investment creates more jobs, smallholder farmers lack market information and awareness, business development services for production and trade, capacities for food safety and quality management and market linkages. Improving the productivity, profitability and sustainability of smallholder agriculture is the most effective pathway for poverty reduction.

B. Policy, strategy and institutional context

National institutional context

11. The Ministry of Planning and Investment is mandated to coordinate ODA resources in socio-economic development planning and is the principal counterpart for allocating and planning IFAD resources. The Ministry of Finance is the representative of Viet Nam in loan agreements and serves as a focal point for coordinating disbursement processes and building financial management capacities at the provincial level, an

important issue for the country programme. The Ministry of Agriculture and Rural Development (MARD) provides policy guidance on agriculture and rural development issues and is the focal point for scaling up implementation experience. The Provincial People's Committees (PPCs) are a key to effective project and programme implementation and the mainstreaming of implementation experience. There are various other programme partners within the national context, e.g. the Viet Nam Bank for Agriculture and Rural Development, the Viet Nam Bank for Social Policy, mass organizations (farmers' associations, the Women's Union, the Youth Union) and the Committee for Ethnic Minorities. In the future, the country programme will involve national research institutions, such as the Institute of Policy and Strategy for Agriculture and Rural Development under MARD, the National Institute of Economy Management under the Ministry of Planning and Investment, the Ethnic Minority Institute under the Committee of Ethnic Minorities, and private-sector and civil society organizations.

National rural poverty reduction strategy

12. The national five-year SEDP 2006-2010 has the following four pillars: (i) accelerate economic growth; (ii) improve access to basic services; (iii) protect the environment; and (iv) improve governance. As part of the growth pillar, it promotes global integration with the world economy (World Trade Organization, Association of Southeast Asian Nations and other trade arrangements), restructuring of state-owned enterprises, development of the private sector, improvement of the financial sector and large-scale infrastructure investment. For the social pillar, the SEDP promotes national targeted programmes to reduce poverty in the poorest communes, prioritizes the needs of ethnic minorities in remote regions, and promotes universal social insurance and health systems. Within the environment pillar, it promotes mainstreaming strategic environmental assessments, introducing tools for pollution control, improving sanitation and solid waste treatment, and protecting biodiversity by expanding protected areas. As part of the governance pillar, the SEDP proposes improved planning methods, sound public financial management, public administration reforms and anti-corruption measures.
13. Within the SEDP pillars, areas of IFAD relevance include: (i) for the growth pillar, promoting mechanisms and policies to ensure that the rural poor and ethnic minorities benefit from increased growth and access to markets; (ii) for the social pillar, supporting productive safety nets to reduce rural poor and vulnerable households' vulnerability to risk (health, natural disasters, climate change, market fluctuations); (iii) for the environment pillar, addressing the climate change agenda for the agricultural and rural development sector, accelerating local ownership of land and forests, translating environmental services (including carbon financing) into rewards for the stewards of the resources and promoting sustainable natural resource practices among poor communities in upland areas; and (iv) for the governance pillar, developing systems and institutions that are accountable to rural poor populations and reflect their voices in decision-making processes. As the current SEDP will be revised for the period 2011–2015, IFAD's COSOP will be revisited at midterm to ensure relevance and coherence.⁸

Harmonization and alignment

14. Viet Nam was the first country to translate the principles of the Paris Declaration on Aid Effectiveness within the local context, and the Government's commitment to harmonization is articulated in the Hanoi Core Statement. As with the country strategies of most development partners working in Viet Nam, the IFAD COSOP is aligned with the SEDP. IFAD is a member of the MARD International Support Group, the Forestry Sector Support Group, and the Microfinance Working Group. Moreover, the Fund has joined the Partnership Committee for Programme 135, phase II, in

⁸ IFAD's Office of Evaluation has been requested to carry out a country programme evaluation in 2010.

order to harmonize methodologies and integrate IFAD activities with this national targeted programme. IFAD is also part of United Nations reform efforts and the One United Nations Initiative in Viet Nam, which is working to advance implementation of the 'Five Ones': One Plan, One Budget, One Leader, One Set of Management Practices, and One United Nations House. IFAD is considering the merits of becoming a signatory to the One Plan Two, which includes the United Nations specialized agencies in Viet Nam.

III. Lessons from IFAD's experience in the country

A. Past results, impact and performance

15. Since 1993, IFAD has financed seven projects/programmes in Viet Nam, with a total loan commitment of about US\$168.3 million, directly benefiting an estimated 520,000 households. During the period of the COSOP 2002-2007, IFAD provided approximately US\$87 million of financing for three programmes. Currently, there are four ongoing IFAD-supported projects/programmes; all have been cofinanced by external financiers including multilateral agencies such as the United Nations Development Programme and bilateral donors such as the Governments of Sweden,⁹ Germany,¹⁰ Norway¹¹ and Luxembourg¹². While progress cannot be attributed solely to IFAD interventions, poverty has been reduced in the provinces where IFAD has provided financing. Targeting has been effective and has been based on a mix of geographical targeting; household poverty data provided by the Ministry of Labour, War Invalids and Social Affairs; community-based wealth ranking; the engagement of ethnic minority groups and women; the adoption of self-targeting activities such as tailored credit delivery through the Women's Union; and small-scale infrastructure development targeting remote communities. A notable success of IFAD projects has been the enactment of provincial legislation transferring the ownership of investment activities to the district/commune level and investment planning and implementation to the community level.

B. Lessons learned

16. Key lessons learned from implementation include the following: (i) project-supported participatory planning processes need to be mainstreamed in provincial development strategies and annual workplan and budget processes, and should neither be resource-intensive (staff time and capacity, budget and community time) nor complex; (ii) capacity-building activities should be linked to training needs and to pre- and post-course competency assessments that identify skill and competency gaps and assess knowledge retention and application; (iii) although past and ongoing IFAD projects in Viet Nam have successfully addressed key regulatory issues, these need to be mainstreamed into provincial administrative reform; (iv) more emphasis needs to be put on interventions that raise competitiveness and reduce market barriers to improve poor households' access to markets; (v) pro-poor upland technology development based on the analysis of indigenous farming systems and options for poor, risk-adverse upland farmers is crucial to improvements in livelihoods; (vi) small-scale infrastructure, decided on by the communities themselves, contributes to improving the market linkages and productivity of households and communities; and (vii) IFAD needs to develop a

⁹ The Government of Sweden cofinances the Rural Income Diversification Project in Tuyen Quang Province.

¹⁰ The Government of Germany cofinances the Programme for Improving Market Participation of the Poor in Ha Tinh and Tra Vinh Provinces. This programme is anchored by a knowledge management unit in the Making Markets Work Effectively for the Poor initiative supported by the United Kingdom's Department for International Development and the Asian Development Bank.

¹¹ The Government of Norway contributes through a debt swap arrangement to the Decentralized Programme for Rural Poverty Reduction in Ha Giang and Quang Binh Provinces. The programme is focused on implementing the country's legislation on grass-roots democracy.

¹² The Government of Luxembourg provides technical assistance for the Developing Business with the Rural Poor Programme, located in Ben Tre and Cao Bang Provinces, with quality management to be executed by the central line agencies.

long-term strategy for village savings and credit groups as an option for rural finance delivery in remote locations.

17. Project design, particularly in areas related to technology testing and delivery and rural infrastructure development, need not be overprescriptive. The project budget in the design serves a guideline; and supervision missions should reinforce this in their analysis of project disbursement. With respect to sustainability, fewer project-employed staff are required at all levels of the provincial structure. Parallel streams of activity resulting from the separation of responsibilities between project management units and local government committees can hamper local ownership. Finally, monitoring and evaluation (M&E) systems need to be supported by data management information systems focused on results and impact; key data for collection need to be carefully identified; and the project and provincial M&E systems should be linked. Project M&E systems need analysis to strengthen project management and ongoing assessment and evaluation with respect to objectives.
18. It is important that the country programme take advantage of the grants programme, which offers opportunities for knowledge-building, the transfer of key technologies and methodologies for scaling up in project implementation, and feedback into policy initiatives. Effective coordination is also required to achieve better synergies with the IFAD-supported loans programme.

IV. IFAD country strategic framework

A. IFAD's comparative advantage at the country level

19. IFAD's comparative advantage lies in its tightly focused mandate underpinned by innovative methods for poverty reduction and agricultural and rural development; strong partnerships with provinces; and flexibility in design and implementation promoting government ownership. To build on its comparative advantage, there is a clear need for IFAD to be more actively engaged in ensuring that the experience gained through implementation of its loans and grants programme feeds into national policies.
20. Building on the pro-poor market-oriented approaches initiated during COSOP 2002-2007, the strategy for the period 2008-2012 will target upland areas. Selection criteria will include: (i) a province's poverty rates; (ii) the presence of ethnic minorities; (iii) the total level of resources being made available to the province, including through private-sector investment, the state budget and other donor financing; (iv) the province's commitment, readiness and absorptive capacity; and (v) the potential impact of IFAD's contribution.

B. Strategic objectives

21. Continued growth, graduation to middle-income country status and integration with the world economy, and the Government's commitment to poverty reduction embodied in the SEDP provide the backdrop for a dramatic reduction in poverty. This COSOP focuses on the poor in upland areas – the main challenge for poverty reduction in Viet Nam during the next five years and beyond. Evidence from studies in the region shows that investment in less-favoured areas has greater growth, poverty reduction, and environmental impact than comparable investments in more-favoured areas.¹³ Furthermore, IFAD must make sure that its investments take account of climate change scenarios and contribute to adaptation measures.
22. To improve livelihoods of the rural poor in upland areas, four interlinked strategic objectives are proposed as outlined below.

¹³ Shenggen Fan and Peter Hazell, "Are Returns to Public Investment Lower in Less-Favoured Rural Areas? An Empirical Analysis of India", *Economic and Political Weekly* (April 22, 2000): 1455B1463; and Shenggen Fan, Linxiu Zhang, and Xiaobo Zhang, "Growth and Poverty in Rural China: The Role of Public Investments", *Environment and Production Technology Division Discussion Paper No. 66* (International Food Policy Research Institute, Washington, D.C., 2000).

23. Strategic objective 1: Rural poor households in upland areas access markets through increased private-sector partnerships. In contrast with the lowlands, where private investment is increasing, upland areas are lagging behind in attracting private investment. Whereas staple food is produced more economically in the lowland areas and irrigated plains, upland areas are more suitable for the production of high-value products, livestock products and agroforestry products, and for aquaculture and ecotourism services. Agroecological suitability will translate into expanded income opportunities for the poor if market linkages and effective value chains are established, and if investment is carried out by viable enterprises. Private-sector investment in upland areas is constrained by the lack of a proactive provincial policy to attract and promote the private sector, weak institutions, a largely missing business-enabling environment, and poor infrastructure.
24. IFAD will work with provinces on specific measures for the emergence of a favourable business environment and institutional culture. These will include entry costs, land access and security of tenure, transparency and access to information, time costs of regulatory compliance, informal charges, and reduction of bias towards state-owned enterprises, development of job/skills training curricula, and legal institutions. Projects will promote market information and market awareness to supply-side organizations (producers' and farmers' groups, associations, and cooperatives) and will seek to attract private investment through market promotion (e.g. trade fairs, exhibitions, trade missions, trade dialogue, trade networks). This strategic objective links the rural poor with the first pillar of the SEDP centred on economic growth and competitiveness.
25. **Strategic objective 2: Poor and vulnerable households take advantage of profitable business opportunities.** For poor and vulnerable households to participate in profitable business opportunities, basic conditions need to be satisfied, namely food security at the household level and basic services at the community level (water and sanitation, schools, clinics). Given seasonal, idiosyncratic and structural shocks (death, disease, epidemics, sudden changes in market prices, natural disasters), food-insecure and vulnerable households, particularly in the uplands, find it difficult to diversify out of basic food staple commodities (rice, maize, cassava, sweet potatoes). Moreover, these households lack access to infrastructure, face increasing costs of agricultural inputs (such as seeds, pesticides, herbicides and fertilizers), lack processing facilities, and have little or no access to agricultural technologies that could help generate marketable surpluses.
26. IFAD will promote community-identified, labour-intensive public works (access roads, water and sewerage systems, water reservoirs and small-scale irrigation, storage facilities, land improvement, etc.), revolving funds and microfinance for productive activities to build initial assets for upland households. IFAD projects will (i) improve community infrastructure linked with markets and national infrastructure; (ii) strengthen the capacity of farmers' organizations; (iii) develop and transfer technology appropriate to the upland areas leading to lower-cost production of staples and diversification to higher-productivity crop, livestock and forestry production, and post-harvest activities; (iv) facilitate access to financial services (credit, deposits, micro-insurance); and (v) develop skills for non-farm business activities (e.g. processing, marketing, and ecotourism). This strategic objective links the rural poor with the second pillar of the SEDP for promoting social progress and assuring access to basic social and productive services.
27. **Strategic objective 3: Poor upland communities secure access to and derive sustained benefits from productive natural assets.** Upland communities depend on natural resources (land, water, forests) for their livelihoods. These resources are under stress both as a result of ill-defined property rights and unsustainable practices including deforestation, swidden agriculture and agricultural intensification in fragile environments (e.g. sloping hills), and due to increasingly erratic climatic conditions. In response to the growing magnitude of climate change, this strategic

objective emphasizes the need to address the impacts that climate change have on poor rural people and the natural resources that they are dependent on; initiate adaptation measures to reduce their vulnerability; and reduce greenhouse gas emissions.

28. Activities will be undertaken to pilot the development of climate change-resilient agricultural production systems and cropping patterns that maintain and/or increase yields and also generate higher inputs of carbon residue in soils. In this regard, sustainable land management practices that strengthen resilience to climate change will be integrated into project design. Sustainable agricultural intensification in the uplands should balance the need for food security with opportunities presented by longer-term high-value products suitable to fragile upland areas. Similarly, through the promotion of sustainable forestry, a wide range of environmental services can be obtained such as carbon sequestration, biodiversity conservation, regulation of water flows, and provision of clean water downstream. A key set of activities will be undertaken to reduce greenhouse gas emissions, thereby triggering Kyoto and non-Kyoto climate change financing mechanisms as a means to mobilize supplementary financing for IFAD projects. This strategic objective is linked with the third pillar of the SEDP of protecting natural resources and the environment for sustainable development.
29. **Strategic objective 4: Rural poor people contribute to pro-poor, market-driven agricultural policy processes at subnational levels.** A provincial strategy for the promotion of pro-poor, market-driven agriculture will be formulated and implemented, and capacity-building provided to ensure successful implementation of this strategy. IFAD would assist local governments in preparing and implementing targeted, participatory and results-based agriculture market development strategies and plans at provincial and district/commune levels. This will include institutional and procedural reform across relevant provincial, district, and commune planning, administrative and technical support agencies and associated staff capacity-building with a view to more efficient and effective private-sector participation in agriculture production and supporting services. This strategic objective is linked with the fourth pillar of the SEDP, which is centred on governance and in particular on the capacity of subprovincial government.

C. Opportunities for innovation

30. The IFAD pipeline will seek to incorporate the following innovations for scaling up through programme interventions:
- **Pro-poor investment in upland areas:** IFAD will contribute to the formulation of strategies to promote pro-poor, private-sector investment through workshops, studies, training, technical assistance and policy dialogue with provincial authorities and central agencies. The innovative research work initiated by the Making Markets Work Effectively for the Poor initiative will be further extended. A provincial rural competitiveness index may be formulated to track performance in various IFAD provinces.
 - **Upland technology development and transfer:** Considerable potential exists to involve MARD research institutes and agricultural universities in participatory applied (on-farm) and adaptive research for the unique agroecological and social environment of upland areas. Projects will initiate output-based research contracts for participatory applied research and technology transfer. Research institutes, universities, NGOs, mass organizations and the private sector could all compete.

- **Adaptation and climate change financing mechanisms:** As a cross-cutting theme, IFAD will pursue the development of climate change-resilient agricultural systems oriented towards reducing greenhouse gas emissions, reducing emissions from deforestation and forest degradation, and community-based agroforestry for carbon sequestration in the uplands. IFAD in partnership with the Global Mechanism could provide support to the ongoing formulation of a mitigation and adaptation action plan.¹⁴ Pilot projects, studies and capacity-building activities will provide a key input to the national agenda and policies for climate change.

D. Targeting strategy

31. IFAD target groups are rural poor people in upland areas. They include: (i) market-participant smallholders who sell a large part of their production; (ii) subsistence farmers consuming most of their own production while participating in other markets, especially as sellers of labour; and (iii) unskilled and waged workers. Interventions will be tailored to ensure that ethnic minority groups and women are reached. The targeting strategy will be to increase the agricultural productivity and competitiveness of market-participant smallholders; enhance opportunities for market entry and improve the livelihoods of subsistence farmers; and diversify unskilled and waged workers' livelihoods towards off-farm activities. The strategy will support the devolvement of governance to the commune and village level, and the empowerment of upland poor households to choose investments and services that meet their perceived needs.
32. Programme design will aim at facilitating greater participation of and benefit flow to ethnic minority groups. This will be achieved through an appropriate information strategy (since many groups are not fluent in the national language and the incidence of illiteracy is high), literacy and numeracy training, a focus on needs identification and prioritization, activities that are responsive to ethnic minority needs, and sensitization of programme staff to issues and problems relating specifically to ethnic minorities.
33. Gender mainstreaming will be continued in programme activities. Women will be reached by maintaining a gender balance in management decision-making, targeting women in job/skills training and extension, promoting women's savings and credit groups, focusing literacy and numeracy training specifically on ethnic minority women, and providing gender training to programme staff at each level.

E. Policy linkages

34. As Viet Nam moves towards middle-income country status, the overall ODA approach is likely to change from heavy involvement in service delivery to knowledge management, capacity strengthening, technical assistance and policy dialogue. A systematic effort will be made through the IFAD country presence to plan, implement, monitor and review policy processes, particularly in areas covered by the strategic objectives. IFAD will also promote policy linkages through coordination among provinces in the same region. In particular, the IFAD country programme could influence changes in the policy issues outlined in table 1.

¹⁴ The Government of Viet Nam has launched a process for developing a climate change mitigation and adaptation action plan for the agricultural and rural development sector.

Table 1
Policy issues for IFAD country programme attention

<i>Policy issues</i>	<i>Policy reference</i>	<i>IFAD's role</i>	<i>How to influence changes</i>
Private-sector investment for upland agriculture	Unified Enterprise Law	Promote private investment in upland areas and pro-poor market linkages	Support formulation of provincial strategy and action plan for private-sector development through technical assistance, training, workshops and policy dialogue
	Common Investment Law		Support various institutions to facilitate private investments (contracts, geographical indicators, agroprocessing zones, investment promotion centres, market information services) Sponsor value chain studies pertinent to upland areas Document programme experience with market-oriented poverty reduction and value chain development Carry out workshops and policy feedback with provincial authorities and central agencies
Upland poor people's ability to benefit from business opportunities	SEDP	Promote community infrastructure and farmers' organizations	Promote a communications strategy that includes using a range of communications methods, e.g. television, meetings and newsletters, at the local level.
	P 135-II		Provide districts and communes with guidelines to support implementation, including guidelines in ethnic minority languages.
	Decree 59	Support developing and strengthening of farmers' organizations and user groups for operations and maintenance. Establish a safety net programme for productive poor people	
	Decree 29	Promote emergence of alternative microfinance institutions	Support transformation of informal saving and credit groups or productive capitalization funds into microfinance institutions in the province of intervention Pilot and mainstream remittance services to facilitate migrants (particularly in-country) Provide technical assistance, sectoral capacity strengthening, standard setting, adoption of codes of conduct, and contribute to policy dialogue Participate as a sponsor in the Microfinance Working Group
	Law on insurance business	Promote emergence of financial products, e.g. micro-insurance in rural areas.	Set up pilots on micro-insurance, bundling of small risks across several families and facilitating underwriting by insurance companies through the intervention of NGOs, mass organizations, microfinance institutions, productive capitalization funds or even bank branches
	Decree 56	Promote development and dissemination of appropriate technologies for upland areas and poor people	Support formulation of provincial strategy and action plan for technology development and dissemination Support on-farm applied research and technology dissemination in collaboration with upland research institutes (output contracts), and the private sector (matching grants) P135-II Donor Group Support working group, workshops, demonstrations, study tours, vocational training, technical assistance
Forest use rights and payment for environmental services	Forest Sector Development Strategy Decree 23 Resolution 28	Promote allocation of forest land to communities, households, and private enterprises	Pilot community-based payments for environmental services schemes Support forest allocation policy implementation with PPC Support the formulation of Viet Nam's climate change mitigation and adaptation action plan
Capacity-building	Comprehensive Capacity-building Programme Public administrative reform	Enhance capacity of provincial, district and commune institutions	Formulate a provincial strategy and action plan for improving the business environment and market-oriented governance Involve national and regional research institutes and universities

V. Programme management

A. COSOP management

35. Based on the COSOP results management framework, a COSOP annual implementation progress report will be prepared by the CPMT. It will include the following specific information: (i) impact on poverty; (ii) an assessment of the achievement of COSOP strategic objectives with reference to indicators of attainment and milestones showing progress towards strategic objectives; (iii) reporting on targeting performance; (iv) performance of the project portfolio; and (v) client feedback reviews. The progress report will be presented for discussion at a joint annual review meeting attended by the Government, IFAD and development partners.

B. Country programme management

36. IFAD's Executive Board approved, in September 2007, the continuation of IFAD's country presence programme. Viet Nam already had a pilot country presence office at the time, which has now been expanded through the outposting of a country programme manager on a pilot basis. For IFAD to remain relevant in this dynamic in-country context, the country presence office will need to engage more frequently and regularly with the Government, participate more actively in policy dialogue, join and create partnerships, place more emphasis on knowledge management and support the effective implementation of the ongoing portfolio.
37. The CPMT is made up primarily of representatives from the Ministries of Planning and Investment, Finance, and Agriculture and Rural Development; the Office of the Government; provincial authorities and project/programme directors; the United Nations Office for Project Services; IFAD headquarters and field staff including the Director of the Asia and the Pacific Division (PI), the PI Results Management Team, IFAD's Office of the Controller, Office of the General Counsel and Technical Advisory Division, the IFAD country presence officer and outposted country programme manager. The country programme creates alliances with a select group of think tanks, national research institutes and national resource persons, who participate in various stages of project and programme design and implementation and in country programme monitoring and management.
38. Supervision activities are carried out directly by the IFAD country presence office with the support of IFAD headquarters.

C. Partnerships

39. **Partnership with the Government and local institutions.** As part of the efforts to enhance the quality of the country programme, partnerships with the Government and local institutions, including civil society, mass organizations, national research institutions, think tanks and universities, will increase. The private sector will be consulted regularly.
40. **Partnership with United Nations agencies.** IFAD is engaged in the United Nations reform pilot process and is making specific efforts to form partnerships with the Food and Agriculture Organization of the United Nations, the United Nations Industrial Development Organization and the United Nations Development Programme in the context of the country programme. The strategic objectives of this COSOP will be monitored by the One United Nations Initiative in Viet Nam in its One Plan Two. IFAD is also considering the possibility of signing a memorandum of understanding for the One Leader initiative.

41. **Partnership with development partners.** IFAD is looking into the following specific topics in collaboration with its development partners.
- (i) **Enhancing impact through knowledge management:** IFAD will collaborate with the German Agency for Technical Cooperation (GTZ) and the Making Markets Work Better for the Poor initiative, phase II (M4P-II) to document, and capture the lessons learned from, implementation experience gained in market-oriented poverty reduction and generating knowledge products.
 - (ii) **Promoting learning alliances:** IFAD will develop a learning alliance with a wide range of development partners including the Asian Development Bank, Australian Agency for International Development, Canadian International Development Agency (CIDA) Danish International Development Assistance, Finland, the Global Mechanism, GTZ, New Zealand's International Aid and Development Agency, SNV Netherlands Development Organisation, Swedish International Development Cooperation Agency (SIDA), Swiss Agency for Development and Cooperation (SDC), the United Kingdom's Department for International Development (DFID), United States Agency for International Development and the World Bank. This alliance will address issues such as climate change, payments for environmental services, food safety and standards, and enabling rural poor people to access markets.
 - (iii) **Mainstreaming experience through provincial policy and institutions:** Joint provincial-level platforms for incorporating project experiences into provincial policy and institutional processes will be developed, e.g. with SIDA in Ha Giang Province, with CIDA in Ha Tinh and Tra Vinh Provinces, with SDC and Luxembourg in Cao Bang Province, and with GTZ in Ben Tre, Tra Vinh and Ha Tinh Provinces.
 - (iv) **Ensuring sustainability through national-level upstream policy dialogue:** Better coordination with the relevant United Nations agencies within the context of the One United Nations initiative will be pursued. For rural development initiatives, membership in the MARD International Support Group will be continued. For forestry issues, IFAD will engage in the MARD Country Programme Framework for Sustainable Forest Land Management, which is the national coordination body for implementation of the United Nations Convention to Combat Desertification. For issues relating to community-driven development, IFAD will remain in the Partnership Committee for Programme 135-Phase II (P135-II).
42. A partnership matrix identifying synergies and complementarities can be found in Key File 3.

D. Knowledge management and communication

43. IFAD will focus its knowledge management efforts on the themes that correspond to the COSOP's strategic objectives. All future loan and grant projects will be designed to include a "learning agenda" indicating what stakeholders expect to learn from the project, how they will capture what they learn, how they intend to communicate it and to whom. Planning, reporting and follow-up on knowledge management efforts will be done in annual workplans and budgets, progress reports and supervision reports. Each IFAD-financed project, including both loans and grants, will produce at least one piece (e.g. research paper, audio-visual or verbal presentation) a year on an aspect of the strategic objective themes. The pieces capturing knowledge will be shared through exchange visits among projects and at an annual knowledge trade fair with knowledge management materials from numerous exhibitors. In addition, the IFAD country programme will take steps to improve grants management, enhancing their contribution to achieving the COSOP outcomes in knowledge management and policy dialogue and their synergies with the loan programme.

E. PBAS financing framework

44. IFAD's performance-based allocation system (PBAS) determines the amount of funding available for Viet Nam during the COSOP period, 2008–2012. This figure is based on an assessment of the country's sector framework for rural development, a project-at-risk (PAR) rating, the International Development Association's Resource Allocation Index (IRAI) and the final scores. During the proposed COSOP period, the indicative total country allocation available is approximately US\$80 million.

Table 2

PBAS calculation for COSOP year 1

<i>Indicators</i>		<i>COSOP year 1</i>
Rural sector scores		
A(i)	Policy and legal framework for rural organizations	4.60
A(ii)	Dialogue between government and rural organizations	4.50
B(i)	Access to land	4.20
B(ii)	Access to water for agriculture	3.71
B(iii)	Access to agricultural research and extension services	3.25
C(i)	Enabling conditions for rural financial services development	3.75
C(ii)	Investment climate for rural business	4.50
C(iii)	Access to agricultural input and produce markets	4.75
D(i)	Access to education in rural areas	5.00
D(ii)	Women representatives	4.75
E(i)	Allocation and management of public resources for rural development	4.67
E(ii)	Accountability, transparency and corruption in rural areas	4.22
Sum of combined scores of rural sector performance assessments		51.9
Average of Rural Sector Performance		4.33
PAR ratings (2007)		3.0
IRAI ratings (2006)		3.9
Country score (2007)		11 778
ANNUAL COUNTRY ALLOCATION (2009)		19.99 million

Table 3

Relationship between performance indicators and country score

<i>Financing scenario</i>	<i>PAR rating (+/- 1)</i>	<i>Rural sector performance score (+/- 0.3)</i>	<i>Percentage change in PBAS country score from base scenario</i>
Hypothetical low case	3.5	4.03	-21%
Base case	4.5	4.33	0%
Hypothetical high case	5.5	4.63	24%

F. Risks and risk management

Table 4

Factors constraining achievement of COSOP strategic objectives

<i>Strategic objective</i>	<i>Risk</i>	<i>Risk management</i>
SO1: Rural poor households in uplands access markets through increased private sector partnerships	Private sector reluctance to invest in upland provinces	<ul style="list-style-type: none"> • Ensure the PPC has developed suitable local regulations for an enabling business environment and to support private-sector investment • Strengthen the local institutions including the provincial Investment Promotion Centre • IFAD projects to include business encouragement matching grant or ensure cofinancing for technical assistance
SO2: Poor and vulnerable households take advantage of profitable business opportunities	High variability of international prices and rapidly changing market opportunities	<ul style="list-style-type: none"> • Obtain market studies and market intelligence reports and disseminate results to provincial authorities
	Difficult-to-forecast vulnerability of poorest households to natural disasters, animal and plant diseases	<ul style="list-style-type: none"> • Promote system of productive safety nets • Promote micro-insurance and appropriate microfinance products
	Slow response of households to emerging business opportunities	<ul style="list-style-type: none"> • Improve market knowledge and understanding of markets • Improve sequencing of productive safety nets programme • Accelerate development of community infrastructure and financial services
SO3: Upland poor communities secure access to/ and derive sustained benefits from productive natural assets	Reluctance of province to allocate forest and agricultural land to poor farmers	<ul style="list-style-type: none"> • Programme to allocate forestland to be a trigger condition for disbursement of particular component • PPC implements Government plan to restructure state forest enterprises
SO4: The rural poor contribute to pro-poor agricultural, market-driven policy processes at sub-national levels	Slow implementation of project by communes and districts	<ul style="list-style-type: none"> • Project to provide guidelines to support implementation to both districts and communes • Ensure that the planned project activities are included in the commune annual socio-economic development plan (SEDP) and approved through the district and PPC processes • Management information system/M&E system established as part of the provincial monitoring and reporting systems

COSOP consultation process

1. May/June 2007 and onwards: Formation and Development of the Country Programme Management Team (CPMT):

While support from the different Ministries has always been strong, the CPR and COSOP has helped to form a stronger CPMT within the Government and composed of:

- Focal points, Ministry of Planning and Investment
- Focal points, Ministry of Finance
- Focal points, Office of the Government
- Focal points, Ministry of Foreign Affairs
- Focal points, Ministry of Agriculture and Rural Development

Strengths: The CPMT led by the government has coordinated inputs from different ministries, which is usually difficult to do in Viet Nam, as Ministries tend to stick to their jurisdictions. In IFAD, within the Asia Division, the PI Director, Regional Grants Coordinator and Knowledge Management focal point contributed and made proactive inputs into the process and there were inputs from the PMD front office for PBAS and quality enhancement process.

Weaknesses: If the CPMT is to involve other IFAD in-house offices, there could have been more support from the policy division, technical division, FCL and OL during formulation. It is envisaged that during the quality enhancement process that this will take place. In-country, while it was planned that there would be much more consultation and team building within the UN Country team, this has not been possible due to time constraints. This would be developed during implementation.

2. July/August 2007: Country Programme review:

Prior to defining a new COSOP, the Government requested IFAD to partake in a review of the IFAD country programme, which was led by a Country Programme Review (CPR) Working Group. This CPR–WG was led by the Ministry of Finance (MoF) and comprised of representatives of the Ministry of Planning and Investment (MPI), Ministry of Foreign Affairs and consulted Ministry of Agriculture and Rural Development and Office of Government. IFAD participated in the CPR covering all projects and programmes financed during the period of the current COSOP 2002 – 2007.

The overall goal of the CPR was to assist Government, together with provincial level authorities and implementing partners, to learn from the IFAD experience, to provide direct input into the COSOP (2008 – 2012) for Viet Nam and to improve the future performance of the IFAD country programme. The review process was carried out in 2 phases. Prior to the CPR Mission, site visits were conducted to IFAD projects by CPR Working Group to make assessments.

The CPR Mission (23 July – 10 August) consisted of a desk review of all available reports and other documents produced by the projects, the Cooperating Institution and by IFAD in relation to programme design, implementation and performance, supervision or follow-up; discussion with partners and site visits to IFAD project provinces.

It was agreed that the findings, recommendations, and conclusions would be discussed after further internal consultation.

Strengths: The CPR is an exercise that is internally mandated by the Government and hence the Ministry of Finance needed it with or without IFAD. Hence, their leadership of the exercise was obligated, so it was excellent for IFAD to be able to synchronize its timing with the Government CPR-WG so that outputs were mutually reinforcing.

Weaknesses: While it was envisaged that Project Directors from on-going IFAD-financed projects; donor agencies who have cofinanced the IFAD Country and the UN

family would be active members to the process and party to the conclusion, the most we could do at this stage was to consult them.

3. September 2007: Poverty Analysis:

A preliminary baseline poverty analysis was carried out by students from Llund University. The students were part of Master's programme in International Development.

Strengths: Students were able to dedicate their time to an effort, which turned out to be beneficial for the COSOP process and also in line with their work for the University.

4. October 2007-April 2008: Special Topics: Partnership with the Global Mechanism for Mainstreaming Climate Change and Land Degradation Concerns into the COSOP:

The main objective was to incorporate analysis on climate change and land degradation (CC/LD) in the COSOP for facilitating the uptake of climate change adaptation/mitigation measures in the pipeline. A number of outputs were requested in a rolling manner initiated in October of 2007 and eventually finalized in April of 2008. A final report was produced analysing CC/LD impacts based on predicted climate change scenarios in Viet Nam and accompanying policy implications for orienting IFAD's support over the next 5 years. In addition, the report articulated key intervention areas for IFAD operations; an estimate of the greenhouse gas mitigation potential in the agricultural sector and estimated monetary value; and an approach for capturing carbon financing mechanisms. This initiative was cofinanced by the Global Mechanism (GM) and IFAD, while technical guidance was provided by the GM.

Strengths: In a new area, where IFAD does not have identified partners for articulating climate change issues, the partnership with the Global Mechanism was key in providing technical expertise for ensuring that CC/LD issues were adequately taken into consideration in orienting the strategic thrust of the COSOP.

Weaknesses: Introducing new areas such as climate change into the country programme proved to be much more challenging within the originally intended time frame given the complexity of the topic and limited available information.

5. November 2007: COSOP Formulation Mission:

The COSOP Mission started off with a start up workshop with a validation of preliminary findings and conclusions of the CPR at the Ministry of Planning and Investment with the members of CPR-WG on the 12 of November to. The conclusion points can be found in Appendix IV.

The COSOP Mission worked in Hanoi and based its findings on consultations with the central line agencies, local officials, academics and development partners and secondary review of their different programmes and projects.

Strengths: Overall strategy was formulated in line with the Government's ongoing SEDP 2006–2010 and separate technical working papers were formulated with additional features, e.g. knowledge management, COSOP management and monitoring and climate change.

Weaknesses: Time was not allocated to do field visits as it was felt that field findings from the CPR would be sufficient. However, Hanoi based work did not give us a basis for the Project Concept Notes. While it was planned that a debriefing would be held in MPI (23 November), where an Aide-memoire would be discussed, the Mission did not feel that the COSOP was in a form that was ready to share.

6. January/February 2008: Global Environment Facility Partnership and PIF Development:

An IFAD/GEF Mission was mounted in January to design a concept (Project Identification Form, PIF) for GEF financing. The PIF was submitted to the GEF as part of the Country

Program Framework for Sustainable Forest Land Management (CPPSFLM) in February, and should be approved in April this year. Activities would fit within the larger Forest Sector Support Program and Partnership, which promotes sustainable forest and land management, linking Rural Livelihoods and sustainable land management and Support to the implementation of the national forest land allocation program. GEF would be mobilising much needed financing for capacity building for some of the new aspects of the country programme, which require closer follow up.

The proposal works towards avoiding the degradation of forests, forest margins and further forest fragmentation caused by agriculture, logging and unsustainable harvesting of fuel wood, promotion of market-based instruments for biodiversity conservation (payments for environmental services, forest certification) and supporting the reduction of emissions from deforestation and forest degradation through conservation and management.

Strengths: GEF was able to mobilize a mission very quickly and used its capacities to develop the PIF and its institutional partnerships to submit to the GEF Secretariat in an incredibly short time frame. GEF financing would be complementary to the projects that IFAD will initiate within the context of the COSOP and be particularly useful as there will need to be capacity building to implement these ideas. Moreover, partnership with GEF would ensure quality in the areas of its concern.

7. April 2008: COSOP Consolidation Mission:

The objective is to verify the medium term action plan for IFAD and sharpen the approach in which to work with Viet Nam on its pathway to middle income status. The Mission was able to get government concurrence on the strategy around a limited number of key strategic objectives and agenda for policy dialogue, knowledge management and partnerships. The COSOP Consolidation Mission included members of MPI, MoF, OoG and national academia.

During the first week COSOP consolidation team divided into 2 teams, one team going to the North and Central Highlands Region and the other team going to the Mekong Delta Region. The second week was for consultation with key national resource persons in agriculture, development partners, UNCT, grants' focal points. The Divisional Director joined the Mission to work on the results management framework and provide strategic guidance to the team.

Strengths: By dividing the COSOP mission, between formulation and consolidation, it gave time for better consultation, modification and finalization of ideas. Moreover, in Viet Nam as documents need to be translated, it is useful to divide the process between draft and finalization, allowing time for comments and enhancing participation. The Mission had excellent participation by the Government giving them an opportunity to understand IFAD's target group and to interact with the Provincial authorities and also to mould their ideas about what the IFAD country programme should look like.

Weaknesses: Long engagement for development of the COSOP.

Country economic background

Land area (km² thousand) 2005 1/	310	GNI per capita (USD) 2005 1/	620
Total population (million) 2005 1/	83.12	GDP per capita growth (annual %) 2005 1/	7
Population density (people per km²) 2005 1/	268	Inflation, consumer prices (annual %) 2005 1/	8
Local currency Dong (VND)		Exchange rate: USD 1 = VND 15,940.00	
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1999-2005 1/	1.2	GDP (USD million) 2005 1/	52 408
Crude birth rate (per thousand people) 2005 1/	18	GDP growth (annual %) 1/	
Crude death rate (per thousand people) 2005 1/	6	2000	6.8
Infant mortality rate (per thousand live births) 2005 1/	16	2005	8.4
Life expectancy at birth (years) 2005 1/	71	Sectoral distribution of GDP 2005 1/	
Number of rural poor (million) (estimate) 1/	n/a	% agriculture	21
Poor as % of total rural population 1/	n/a	% industry	41
Total labour force (million) 2005 1/	44.04	% manufacturing	21
Female labour force as % of total 2005 1/	48	% services	38
Education		Consumption 2005 1/	
School enrolment, primary (% gross) 2005 1/	95	General government final consumption expenditure (as % of GDP)	6
Adult illiteracy rate (% age 15 and above) 2005 1/	n/a	Household final consumption expenditure, etc. (as % of GDP)	64
Nutrition		Gross domestic savings (as % of GDP)	30
Daily calorie supply per capita	n/a	Balance of Payments (USD million)	
Malnutrition prevalence, height for age (% of children under 5) 2005 2/	43	Merchandise exports 2005 1/	31 625
Malnutrition prevalence, weight for age (% of children under 5) 2005 2/	27	Merchandise imports 2005 1/	36 476
Health		Balance of merchandise trade	-4 851
Health expenditure, total (as % of GDP) 2005 1/	6 a/	Current account balances (USD million)	
Physicians (per thousand people)	n/a	before official transfers 2005 1/	-3 163
Population using improved water sources (%) 2004 2/	85	after official transfers 2005 1/	217
Population with access to essential drugs (%) 2/	n/a	Foreign direct investment, net 2005 1/	1 889
Population using adequate sanitation facilities (%) 2004 2/	61	Government Finance	
Agriculture and Food		Cash surplus/deficit (as % of GDP) 2005 1/	n/a
Food imports (% of merchandise imports) 2005 1/	6 a/	Total expenditure (% of GDP) 2005 1/	n/a
Fertilizer consumption (hundreds of grams per ha of arable land) 2005 1/	2 993 a/	Total external debt (USD million) 2005 1/	19 287
Food production index (1999-01=100) 2005 1/	124 a/	Present value of debt (as % of GNI) 2005 1/	38
Cereal yield (kg per ha) 2005 1/	4 780	Total debt service (% of GNI) 2005 1/	2
Land Use		Lending interest rate (%) 2005 1/	11
Arable land as % of land area 2005 1/	21	Deposit interest rate (%) 2005 1/	7
Forest area as % of total land area 2005 1/	42		
Irrigated land as % of cropland 2005 1/	34 a/		

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

1/ World Bank, *World Development Indicators* database CD ROM 2007

2/ UNDP, *Human Development Report*, 2007/2008

COSOP results management framework

<i>Country Strategy Alignment</i>	<i>COSOP Strategic Objectives</i>	<i>COSOP Outcome Indicators</i>	<i>COSOP Milestone Indicators¹⁵</i>	<i>COSOP Institutional/Policy Objectives (in partnership mode)</i>
Improve economic efficiency and competitiveness (1.1.2)	SO1: Rural poor households in uplands access markets through increased private sector partnerships	Total value in two strategically chosen value chains increases (in each intervention province)	<ul style="list-style-type: none"> Private investment in upland provinces increases by 20% Number of micro, small, medium enterprises registered increases by 30% Provincial competitiveness index increases 	<ul style="list-style-type: none"> Provincial pro-poor, market driven private sector development policies and action plan Emergence of a favourable business environment and institutional culture at the provincial level Development of rural provincial competitiveness index
Reduce poverty and inequality (2.5.1)	SO2: Poor and vulnerable households take advantage of profitable business opportunities	Rural household income and food security increases, for at least 75% of the target group	<ul style="list-style-type: none"> Agricultural productivity and production increases by 20% Diversification of agricultural production Number of rural poor employed in non-farm opportunities increases 20% 	<ul style="list-style-type: none"> Technology transfer/ participatory adaptive strategy and action plan established at provincial level Government's resource allocation for public goods (research, infrastructure) in support of agricultural development Provincial VSCG and PCF evolving into microfinance institution Establishment of productive safety nets programme
CT Improve forestry and biodiversity management (3.1.1) Adopt sustainable use of water resources (3.1.2) Adopt more effective land management (3.1.3)	SO3: Upland poor communities secure access to/ and derive sustained benefits from productive natural assets	(i) 15% increase in forest coverage (ii) 30% decrease in land degradation of farmland	<ul style="list-style-type: none"> Number of households with improved access to forestlands increases by 25% Ha of land improved through enhanced land / water management techniques increased by 20% Upland poor communities adopt sustainable natural resource management practices 	<ul style="list-style-type: none"> Institutional capacities are strengthened at provincial, district and commune level, for the participatory formulation and implementation of pro-poor and market-driven agricultural policies Climate change mitigation and adaptation strategy and action plans implemented at the provincial level Establishment of payment for ecosystem service schemes
Strengthen capacity of sub-national government (4.3.1)	SO4: The rural poor contribute to pro-poor agricultural, market-driven policy processes at sub-national level	75% satisfaction rate of the quality of public service provision	<ul style="list-style-type: none"> Participatory multi-stakeholder processes implemented Results-based frameworks adopted by provincial institutions 	<ul style="list-style-type: none"> Capacity strengthening strategy and action plans

¹⁵ These numbers have been formulated as indicative figures but would be assessed in the first year annual COSOP review and updated accordingly.

Previous COSOP results management framework

In pursuance to the Millennium Development Goals, IFAD and the GoVN are committed to halving by the year 2015, the proportion of people whose incomes are less than one dollar per day, and the proportion of people who suffer from hunger, as clearly stated in the corporate, regional and country strategies and the CPRGS respectively. The following table summarizes the main thrusts thereof.

<i>IFAD's Strategic Framework</i>	<i>Regional Strategy</i>	<i>CPRGS: Rural Poverty And Vulnerability Reduction</i>	<i>Viet Nam's COSOP</i>
<p>Vision statement IFAD believes that increasing access to assets (human, social, natural, technological and financial assets) is crucial for broad-based growth and poverty reduction. Thus it fosters social development, gender equity, income generation, improved nutritional status, environmental sustainability and good governance within the following main thrusts:</p> <p>Human and social assets</p> <ul style="list-style-type: none"> Strengthening the capacity of the rural poor and their organizations <p>Financial assets and markets</p> <ul style="list-style-type: none"> Increasing access to financial services and markets <p>Productive assets and technology</p> <ul style="list-style-type: none"> Improving equitable access to productive natural resources and technology 	<p>Within the corporate thrusts, the Regional Strategy focuses on:</p> <ul style="list-style-type: none"> Enhancing women's capabilities in order to promote social transformation and agricultural development Reducing poverty by enhancing the capabilities of indigenous peoples and other marginalized groups Building coalitions of the poor Enhancing peace for poverty reduction Developing less favoured areas 	<p>Human and social assets</p> <ul style="list-style-type: none"> Building up new institutions that involve active participation of farmers, in production, processing and marketing; Establishing an education system for the people that is more egalitarian and of higher quality; <p>Financial and productive assets, markets</p> <ul style="list-style-type: none"> Reforming policies on land (e.g. security of land tenure), business environment, finance, investment and credit in order to make investments more pro-poor; enhancing access to credit and financial services for the rural poor; Facilitating sustainable management of natural resources with the involvement of all stakeholders, while protecting the environment and maintain a healthy life for the poor; Creating more jobs and raising rural incomes by developing rural industry, services and other off-farm activities; Increasing competitiveness of agricultural products in domestic and international markets, while improving processing capability in order to raise product quality and better meet domestic and export demand; Developing infrastructure to create opportunities and enable access to public services in poor areas; <p>Technology</p> <ul style="list-style-type: none"> Increasing productivity, reducing production costs, and promoting diversification in agricultural, forestry and fishery production, while, protecting and encouraging household, farm and private economies towards large-scale labour intensive production; 	<p>Human and social assets</p> <ul style="list-style-type: none"> Building the capacity of poor households and grass-roots institutions to enable them to take the lead in the development process and more effectively address poverty; Improving the role and status of women to improve their position within households and communities, and enhance their capabilities as agents of change. <p>Productive Assets and Technology</p> <ul style="list-style-type: none"> Improving food security for poorest and most vulnerable households in line with the regional target group focus by diversifying rural incomes and increasing rural employment ; Increasing access of the poor to productive resources, particularly land, credit and forest resources; Improving the management of these resources, by enabling the poor to access knowledge and technology, to generate income on a sustainable basis; Improving village-level infrastructure as an entry-point and critical foundation for social and economic development in poor areas; <p>Cross-Cutting Thrusts</p> <ul style="list-style-type: none"> Promoting good governance, with emphasis on implementation of decentralized project management and promotion of grass-roots democracy; Sharing lessons learned in the implementation of the IFAD-funded country programme to influence national policies and programs, in collaboration with like-

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- Strengthening applied research and technology transfer and improving the extension system, paying special attention to the needs of farmers in mountainous areas; while developing a disaster Prevention Strategy to minimize losses, and stabilize livelihoods in disaster-prone areas.
-

mind ODA agencies.

Accelerating Market Orientation of Agriculture

I. Background

1. Market demand for the main crop commodities has increased over 2006 and 2007 and continues to be the cornerstone of agricultural exports. The major export contributors were rice USD 1.3 billion, coffee USD 1 billion, rubber USD 1.3 billion, cashew nuts USD 500 million, pepper USD 200 million, fruit and vegetables USD 260 million, and forestry products USD 1.92 billion. Quality of the exports is the main concern and Ministry of Agriculture and Rural Development (MARD), in its assessment of sector achievements, states that the quality of agricultural and forestry products is still limited and this reduces the competitiveness of Viet Nam's agricultural and forestry products. Rural industries and services, especially traditional handicraft villages, have also experienced growth rates of about 11 per cent/year since 2000, with almost 3,000 craft villages creating employment for 1.4 million households and generating US\$600 million in export value.
2. MARD and other government institutions have little experience and knowledge of the complex World Trade Organisation (WTO) regulatory environment and limits the support that can be provided to support exporters. MARD's Department of Science and Technology is responsible for standards and technical issues related to agricultural exports. The Department has yet to form a section responsible for these functions and provide comprehensive training in WTO regulations for the staff. While WTO membership brings a number of benefits, it also brings challenges. Farmers and whole industries struggle to meet the increased quality and other regulatory demands required under WTO and other trade agreements. The more commercialised segment of the sector is responding to market opportunities for the main commodities, but poor product quality limits income and market expansion. Development of agribusiness, increased efficiency of SOEs, continued investment in rural infrastructure, improved agricultural research and technology transfer are some of the factors that will contribute to increasing sector output.
3. Accelerating market orientation is essential for rural development in Viet Nam. Market development that includes transmission of market information to farmers in the value chains and the integration of small holders into evolving market structures is also important. There is considerable scope to improve business linkages amongst farmers, traders, processors and buyers through value chains. Stronger autonomous farmer organisations would facilitate speedier market development. Some of the challenges that the rural sector faces is low productivity, lack of irrigation facilities, poor condition of rural roads and other infrastructure, lack of skills of the labour force, lack of jobs in the rural sector, and growing illiteracy and the illiteracy of women.
4. Farm size is small and is commonly fragmented. Farmers are unable to achieve size economies and this influences profitability. It is estimated that there is just 0.1 hectare of agricultural land per person in Viet Nam, making land pressure one of the highest in the world. Moreover it is estimated that over the last 5 years arable land has decreased by over 70,000 hectares per year due to demands from housing, infrastructure and other uses. Data from the 2004 Viet Nam Household Living Standards Survey (VHLSS) shows that some 12 per cent of the ethnic minority population have no access to land (Swinkels and Turk 2006). While progress made towards poverty reduction has been impressive, the risk of households graduated out of poverty returning to poverty is high.

II. Geographic Area and Target Group

5. The target group would comprise of the rural poor households, which includes wage labourers, landless and farmers and vulnerable farmers with limited pieces of land, subsistence farmers and smallholder farmers who are market participants. There would be a specific focus on ethnic minorities. Project efforts would ensure the integration of rural poor households with those of other value chain participants.

III. Justification and Rationale

6. MARD has assessed that the main factors that constrained growth over the period 2000 to 2005 were: slow progress in restructuring the agricultural sector- slow development of the livestock breeding, industry and rural sectors; low productivity, quality and efficiency of agricultural products as well as weak competitiveness of agricultural products; inadequate investment in infrastructure to meet the demands of the sector; slow progress with reorganisation of agricultural institutions; high rates of poverty in the regions especially the Northern Mountains and Central Highlands.
7. Investment in agriculture is 5-6 per cent of total public expenditure. Features of the expenditure are the increasing amount under the control of provincial governments (74 per cent in 2005) and inappropriate balance between capital and operations and maintenance (O&M) expenditure. The main areas for expenditure reform are: redressing the balance between capital and recurrent expenditure, especially in the irrigation sub sector; and increasing expenditure on agricultural research and extension.
8. A small agricultural private sector is another growth constraint. Many of the agribusiness firms are State Owned Enterprises (SOEs). While there is an increased recognition of the need to increase the role of the private sector in agricultural development and reduce the burden of SOEs on public expenditure, the GoVN has yet to develop policies and regulations to facilitate this and encourage private sector investment, including FDI, in agriculture.
9. Knowledge of markets, prices, and product quality by farmers and state officials, including extension staff is limited. Several market information schemes have been developed with donor support, but have not been sustained. Main reasons for failure of these information systems are: the farmers were required to pay for the information; and the information was out of date by the time the farmers received it.
10. Performance of the agriculture, science and technology (AST) sector is poor. Research has been under funded and outputs have had a limited impact upon farm productivity. Investment in AST has been low at just 0.1 per cent of agriculture GDP – this compares to 1.4 per cent for Thailand, and 0.4 per cent for the People's Republic of China. Little effort has been made to develop appropriate technologies for poor upland farmers - most technologies are based on low land farming systems.
11. Technology transfer is weak. There is a national extension network managed through each province. Staff capacity is limited and their performance especially at the commune and district levels is poor. Extension is very focused on top down delivery systems based upon standardised models with weak linkages to markets and associated value chains. There are weak vertical and horizontal linkages with research organizations and other agriculture agencies. The Government has initiated a program to have an extension agent in each commune. The provision of extension agents alone, however, will have limited impact. Commune extension agents need to be part of a coordinated program that includes linkages with research programs, skills development and funding to enable them to service their farmer clients.
12. Access to credit can be limited if farmers do not have secure title to their land (red book). Developments in the banking sector means that lending to small farmers is higher risk and not a priority for the banks as they become more commercially focused. The Bank for the Poor (Social Bank) has a variety of lending rates of the

poor, but also has limited capital, thus reducing its capacity to meet the needs of the poor farmers. Recent changes in micro credit legislation mean that organisations such as the Women's Union (WU) can now become registered microfinance institutions. This will enable them to increase their capital base and lending to support their rural development programs, especially for the rural poor.

13. The thrusts of the proposed project include: (i) strengthened pro-poor targeting; (ii) more participatory and pluralistic research and advisory services; (iii) improved agricultural market planning at provincial and local levels; (iv) increased private sector participation in market development and service delivery; and (v) the exploration of productive safety net systems.

IV. Project Approach

14. Small farm areas of agricultural and forestry land, low productivity of soils and other constraints limit significant output growth being achieved. Rural development should not be just focused upon the assumption that increased agricultural and forestry outputs will provide the income needed to lift, and keep, the rural poor out of poverty. Livelihood developments for the rural poor, therefore, need to consider a range of options – both agricultural and non-agricultural.
15. Successful smallholder development will be enhanced if the farmers are able to develop linkages with marketers and processors through agribusiness value chains. Programs that have adopted this approach have already shown some success. Agricultural livelihoods for the rural poor can also be developed through the encouragement of private sector investment at the provincial level.

V. Key Project Objectives

16. The proposed **development objective** of the Project would be to improve the incomes and reduce vulnerability of rural poor households. The **purpose** of the programme is to demonstrate an environmentally sustainable, socially equitable and profitable rural development model around enhancing competitiveness and agricultural diversification targeting rural poor households.

VI. Components and Activities

Component 1: Agriculture Market Planning and Private Sector Promotion

17. Component-level outcomes would include: (i) targeted, participatory and results-based agriculture market development plans at provincial, district and commune levels; (ii) profitable and sustainable relationships between poor farmers and rural businesses established.
18. The Project would assist the province to prepare provincial agriculture market development plans based on market assessments to identify strategic regional markets. The Project would assist the authorities at provincial and district/commune levels to prepare, implement and monitor targeted, participatory market analysis and planning and carry out periodic market assessments identifying local comparative advantage. Participatory market analysis and planning would be carried out with all stakeholders: the landless, poor farmers, and local leaders. Capacity would be built of local government, technical support agencies including DARD, Department of Commerce and associated staff with a view to more efficient and effective market oriented planning within the context of the New Rural Development Strategy.
19. The Project would promote private sector engagement in the commodities being produced in the province. Companies willing to generate jobs for the rural population, add value, provide technology development or buyback produce would be given incentives to invest in the province. Enhancing the role of private sector would involve institutional, legislative and procedural reform; those areas of concern include: (i) administrative reform in investment environment and business procedures, especially those for business start-up and exit; (ii) the legal framework for areas such as

business registration and contract enforcement; and (iii) reform to attract more private investment to the rural sector. A rural sector PCI would be developed based on a simple set of indicators.

20. The Project would set up a virtual market where by market information for buyers and sellers of commodities, extension services and labour market information would be made available. Technical assistance, capacity building, and other investments necessary to implement identified reforms for the promotion of private sector agribusiness and supporting services would be provided.

Component 2: Enhancing Competitiveness and Technology Transfer

21. Component outcomes include: (i) appropriate services and technology development for increasing agriculture productivity and enhancing product quality provided to the rural poor, essential for their integration into value chains and their beneficial participation in markets (ii) participatory and pluralistic approaches developed for extension; and (iii) innovative group-based enterprise models and farmer-to-farmer networking developed.
22. At the provincial level, the capacity to carry out necessary technology development is not available. The GoVN has commenced the implementation of Decree 115 where AST institutions will become autonomous. MARD, in late 2007, will finalise the preparation of its major policy document detailing the renovation of the AST sector. Technology development can be carried out in partnership with the private sector, provided that the partnership is worked out. Specialised services could be provided by the private sector to support technology development for production and value addition within specific commodity or product chains. In order to mobilise private sector interest, the province will need to provide incentives for the promotion of R&D (e.g. tax breaks for putting private sector resources towards R&D) and ensure supply. Complementary resources in terms of land for demonstration sites and credit to farmers for replication would be provided through the Project. Once demonstrated a full scale effort for replication would be made using contract farming arrangements.
23. The project would support Provincial/ District Agriculture Extension Centres with training on participatory research/extension, value chain networking, storage and processing technology, marketing and product quality certification. At the commune level, project efforts would be made in promoting enterprise models through key farmers and groups, based on local experience and opportunities. A network of 'Rural Development Workers' would be established at the village level, based on identified key farmers having a broad knowledge of rural development subjects and training would be provided with an emphasis on participatory extension. The 'Rural Development Workers' would be paid by the cooperative or group that they are a member of.
24. Farmer/producer and agri-processing associations, farmers' cooperatives, and formal and informal groups at community level would be developed by the project where they do not already exist. These groups would be provided training and capacity building activities through mass organizations for better management capacities, particularly in terms of business management, marketing, and financial management. Special support would be provided to the poorest and vulnerable households. Cooperation among poor households is essential, as economy of scales in procurement of agriculture inputs, production, and sale of outputs represent important factors to establish linkages with enterprises and markets.
25. Province and District Extension Centres would promote and enforce contract-farming arrangements with private businesses to develop and expand market opportunities, introduce, demonstrate and transfer new and improved technologies and best business practices. Contract farming can be effective in providing assured prices to small and marginal farmers for their products and a means of integrating them into agricultural value chains. Commune level extensionists and village level 'Rural Development Workers' would link market infrastructure investments to new economic

opportunities and link households and groups to credit made available through AgriBank, Social Policy Bank, Women's Union, NTP-PR and others.

26. Project efforts would ensure integration of the activities of rural poor households with those of other value chain participants. The Project would promote and monitor contract-farming arrangements with private businesses to develop and expand market opportunities, introduce, demonstrate and transfer new and improved technologies and best business practices. Contract farming can be effective in providing assured prices to small and marginal farmers for their products and a means of integrating them into agricultural value chains. The Project will assist in establishing the conditions under which contract farming could be successful.
27. Project activities would support the development of food standards and safety assurance regimes which would contribute to enhancing the competitiveness of specific value chains. This would be linked to capacity building for farmers and would involve support of storage and processing to reduce losses and to extend the shelf life of aqua-related products. Farmers' group and associations would be trained in compliance with food safety and product quality standards.

Component 3: Job Skills Improvement and Remittances

28. A large number of people migrate to other parts of the country and outside in search of employment. These migrants usually have no skills and are not able to get better employment opportunities. Component outcomes include: (i) skills of wage labourers, landless farmers improved and being employed; (ii) rural employment created, and (iii) remittances mobilised.
29. The Project would carry out: (a) short-course outreach training by vocational training centres (VTCs) keyed to specific demand in the province for semi-skilled labour; and (b) training within enterprises linked to jobs in those enterprises. Programme investment would be focused on training for poor job seekers from programme communes, with preference for women. Project funding would include equipment for outreach training being the main focus. For training programmes run in partnership with enterprises, there would be an additional pre-requisite that the participating enterprises must commit to provide jobs to successful trainees. The enterprises would levy no down payment or participation fee, as is the current practice, which often bars poorer job seekers. The same eligibility criteria as above would be applied for participants.
30. The available mechanisms of remittance that efficiently pay out money to the intended recipients are limited. This is on account of the limited network of financial institutions in rural areas and the problems of the poor in accessing the branches of banks. A remittance service that could identify the recipient and make the payments in his home is likely to be a welcome development in the market and would improve demand for other financial services. The requirements for introducing a remittance product in Viet Nam are:
 - Selection of suitable NGO/MFIs that have a presence in both remittance origin and payment centre. (If they do not have a presence they should be willing to establish a presence)
 - Enrolment of people who have a remittance service requirement as a member and establish identification means of the remitter and the recipient family
 - Banking arrangements for the NGO for transfer of funds
 - Systems for collection of remittance funds from clients
 - setting up a system of secure and reliable communication from collection centres to payment centres within the NGO/MFI based on an electronic network
 - Systems for making payments to the recipients at their homes, through field staff.

Component 4: Market Infrastructure

31. Component outcomes include: (i) productive and sustainable market-enabling infrastructure; (ii) timely, adequate transfers to target households, allowing effective consumption smoothing and asset protection, and future-proof communities against disaster shocks.
32. Under the project, infrastructure would be defined only as those market-enabling and productive infrastructures that contribute positively to the market/business environment and impact the local economy. Investment in roads, bridges, irrigation, storage facilities and small-scale processing are likely have the highest priority to improve market accessibility.
33. The Project will pilot safety nets schemes to help reduce vulnerability of households and establish the conditions for them to engage in sustainable market linkages. Safety net include cash based transfers to targeted households (particularly the most vulnerable among them) for the implementation of community identified, labour intensive infrastructure/public works and environmental protection services. The Project would ensure the quality and environmental impact of productive safety net activities.

Component 4: Project Management

34. The project would establish a supporting Project Management Unit (PMU), whose primary task would essentially be value chain management particularly connecting the higher ends of the value chain (buyers) with producers. The PMU would be a small unit with responsibility for project financial and procurement management, information management and monitoring and evaluation. The PMU would also include 1-2 person teams of skilled professional staff responsible, respectively, for supporting the provincial departments.
35. **Agri-Business Development Facility:** An agribusiness development facility in DARD connected to Provincial Extension Centre would direct resources towards enhancing the competitiveness and value of rural poor households' products and test new instruments. These resources would provide through competitive grants for appropriate technologies.

VII. Issues on which further guidance is sought

36. IFAD seeks guidance on the following:
 - Shaping the development objectives
 - Allocation of IFAD resources;
 - Selection of districts and communes for inclusion in the project;
 - Most appropriate location of the provincial PMUs in pulling together the various project activities; to minimize overlap and ensure maximum national benefit;
 - Possible like-minded-donors who would be interested to co-finance;
 - Duration of the project.

VIII. Costs and Financing

37. The project is estimated to cost USD 18.5 million, including a USD 15 million IFAD loan, a USD 3 million government contribution delivered through and USD 0.5 million in beneficiary co-financing. Project costs by component are estimated as follows:

Component	Component Funding (USD million)			
	IFAD	GoVN	Beneficiary	Total
Agricultural Market Planning and Private Sector Promotion	2.0	0.0	0.0	2.0
Enhancing Competitiveness and Technology Transfer	4.0	1.0	0.0	5.0
Employment Generation and Job Skills	0.5	0.0	0.0	0.5
Market Infrastructure	7.5	1.0	0.5	8.5
Project Management	1.0	1.5		2.5
Total	15.0	3.0	0.5	18.5

IX. Organization and Management

38. At the Provincial level, a Provincial Project Steering Committee would be established under the PPC for oversight, guidance on policy issues and coordination between different line agencies. A PMU would be established for day-to-day management and operations, and implementation would be decentralized to the relevant level. At the District level, the DPC would implement project activities with particular involvement of the agricultural extension worker, accountant and infrastructure coordinator. At the commune level, the CPC would be the focal point to all project activities, with particular involvement of the agricultural extension worker, accountant and infrastructure coordinator. At the commune/village level and therefore, there should be a number of Rural Development Workers from cooperatives and rural collaborative groups to assist implementation.

39. While their engagement is difficult to forecast, it is foreseen that private sector stakeholders would be key in driving the value chain initiatives.

X. Monitoring and Evaluation Indicators

40. Key success indicators might include:

- At Goal (Impact) level:
 - (i) Improvement in RIMS household asset and malnutrition indicators;
 - (ii) Reduction in the prevalence of poor households below the poverty line in targeted areas and near poor households
- At Purpose level:
 - (iii) Total value in two strategically chosen value chains increases (in each intervention province)
 - (iv) Increased poor household income
 - (v) Increased number of rural poor employed in private agribusiness enterprises
 - (vi) Poverty gap index declines
- At Component level
 - (vii) All participating provinces and districts/communes adopt and implement market oriented agricultural development plans and strategies, including public-private partnerships;
 - (viii) At least 10 profitable technology packages developed through participatory action research;

- (ix) Provincial DARD's contract extension delivery and private sector service providers;
- (x) At least 30 per cent of farmers adopt technology package.

XI. Risks

41. Institutional risk is associated with the inability of provincial departments and institutions to adapt their procedures and programs to more market oriented approaches to agriculture and rural development. This risk would be addressed by (i) close participation of PPC and provincial departments and institutions in the project design process, including visits to provinces already implementing aspects of the proposed project; (ii) PPC approval of an agreed provincial agricultural market development plan a condition of related component implementation; (iii) increased dialogue between government agencies and project beneficiaries including stakeholder participation in the PCC; and (iv) capacity building of provincial staff through technical assistance and competency based training programs.

XII. Exit strategy

42. Exit strategies will be part of the project design and commence from project implementation. For the proposed IFAD interventions there are 3 main sustainability themes: provincial agribusiness – development of the enabling environment that encourages the private sector and investment; strengthening of provincial institutions (PPC, line agencies and at district and commune level) to plan and implement the project; and develop viable small businesses, value chains and profitable farming enterprises.
43. The project management method used has considerable impact on capacity development of the implementation agencies and sustainability. IFAD's embedded Project Management Unit (PMU) approach, where the project management team is integrated into the provincial implementing department, should continue to be developed. The provincial department is the implementing agency and the role of the IFAD project staff is to support the departmental staff to implement the project activities. The embedded approach is the final stage in the move to budget support and compliance with the Hanoi Core Statement and other donor agreements. Features of the approach should include the phased withdrawal of project management support. The process should be underpinned by development of strengthened systems, including project implementation guidelines.

Forestland Management for Diversification of the Upland Economy

I. Background

44. In Viet Nam, approximately 25 million rural people, most of them poor and ethnic minorities, are using forest resources to meet subsistence needs. Forest resources provide these rural poor households with reliable sources of energy and safety nets when they encounter economic shocks. However, natural forests are declining quickly because of over-exploitation. It is estimated that in the period 1976-1990, natural forest cover decreased on average 185 000 hectares per year (ADB, 2000). The dramatic decrease in forest cover has resulted primarily from industrial timber extraction, permanent conversion of forestlands to agriculture, shifting agriculture, forest fires, overgrazing, establishment of human settlements and the American war (Earth Watch 2005; ADB 2000).
45. Nevertheless, overall forest cover in Viet Nam has been increasing in recent years to a current level of 37.6 per cent while there has not been a corresponding increase in the quality of forest cover. Rich and medium stocked forests are now concentrated mainly on hilltop or steep slope areas that are unsuitable for other land uses. Likewise, the number and total area of forests under protected area status increased from 0.4 per cent of the total land area in 1992 to 7 per cent in 2005. Despite increases in the number and coverage of protected areas, the management of these areas is compromised by lack of proper institutions or management boards with low levels of funding and staff capacity (IUCN 2006).
46. In Viet Nam, forestry and land use change contribute 19.38 million tons of CO₂ equivalent and make up 18.7 per cent of the national emissions (Viet Nam Initial National Communication to the UNFCCC 2003). The Government of Viet Nam is taking various steps to address the degradation and loss of forests. More than 100,500 km² have been identified for reforestation while a further 27,000 km² of degraded forest have been allocated for regeneration. Also, a Forest Sector Support Programme (FSSP) has been established with the World Bank taking the lead in coordination. A draft National Forest Strategy up to 2010 is currently under compilation. In addition, according to the National Forestry Development Plan for the period 2001 -2010, in order to protect forests, the State has restricted the exploitation of timber in natural forests, and will gradually eliminate timber exploitation in natural forests all together (Forest Sector Manual - 2004). This trend clearly indicates the reform in the Government's forest policy and bodes well for capturing emerging UNFCCC financing opportunities associated with Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD).

II. Geographic Area and Target Group

47. The target group would comprise of forest dwellers and vulnerable farmers with limited pieces of land but that have access to forest resources including protected areas and large tracts of degraded forest. There would be a specific focus on ethnic minorities. Project efforts would ensure the integration of rural poor households with those of other value chain participants.

III. Justification and Rationale

48. The forested area in Viet Nam was estimated to be 181 500 km² (55 per cent of the total land area of 330 000 km²) in the late 1960s declining to 56 680 km² (17 per cent of total) in the late 1980s (Collins et al, 1991; De Koninck, 1999). The loss of two-thirds of its forest cover over this time period makes Viet Nam the most rapid case of deforestation among Southeast Asian countries (De Koninck, 1999).

49. Households and communities have currently little incentive to improve and expand the forest cover or engage in landscape improvement activities. Slow progress with forestry land allocation to land users (especially households) and secure property rights to the users of forests and forest land has been slow. This situation is impacting upon the livelihoods of the ethnic minorities as they are much more dependent upon forest lands than Kinh people (majority of the population). The 2004 VLHSS shows that only 24 per cent of ethnic minorities have forestry land. In the North West 42 per cent have access while in the North East 28 per cent of ethnic minorities have access to land. Customary land use allocation to members of rural communities can contribute to forest resource management, and assist poverty reduction in upland areas.
50. Poor integration between environment, land and forest management programs will continue to result in accelerated forest and forest land degradation. Institutional weaknesses including the lack of coordination between government departments at national and local levels, and weak capacity at all levels and lack of involvement of local communities in forest management will hamper the enforcement of national regulations necessary for the conservation of natural resources.

IV. Project Approach

51. The Programme approach for improving the livelihoods of the rural poor would be from various dimensions taking heed of emerging business opportunities. The approach would combine aspects of sustainable natural resource management, improving technology development and transfer through more participatory, efficient and effective extension services, micro-finance and the development of marketing linkages. IFAD support would also be provided for improving the policy environment for private sector engagement and payments for environmental services.
52. Given the extensive land degradation taking place in the uplands, promotion of agroforestry will enable the mitigation of soil erosion processes, ensure resilience of agricultural systems in the face of climate change affects, and will also enable the mobilisation of revenue flows from carbon sequestration. Carbon revenue in itself will not be able to finance a project in its entirety; it can only be an additional source of revenue (Global Mechanism 2008). Carbon revenue would help to improve the incentive framework for local communities to adopt SLM practices and to strengthen the financial sustainability of development initiatives post project completion.

V. Key Project Objectives

53. The proposed **development objective** of the Project would be to improve the incomes and reduce vulnerability of households, especially ethnic groups. The **purpose** of the Project is to demonstrate an environmentally sustainable, socially equitable and profitable rural development model based around forest resources targeting rural poor households.

VI. Components and Activities

Component 1: Promotion of Strategic Private Sector Investment

54. Component outcomes would include: (i) forestland allocation; (ii) improved business environment ready promoting engagement with the private sector; (iii) identification of strategic investments / sectors for private sector development; (iv) implementation of participatory and results-based business development plans at provincial, district and commune levels.
55. While recent improvements in the legislative framework by the government provide a foundation, a clear and consistent framework of policies, laws and regulations to create enabling conditions for sustainable forestland management is lacking. State Forest Enterprises (SFEs) with control over large areas of forest land, but limited risk capital, have generally concentrated on State funded protection forestry rather than developing their own commercial forest plantations. The Project would need to put

policies in place for forestland allocation to poor households and support private sector production plantations.

56. The Project would assist the province to prepare provincial market-based enterprise and investment development plans and promote private sector engagement, which would involve institutional, legislative and procedural reform. Areas of concern include: (i) forest land allocation; (ii) administrative reform in investment environment and business procedures, especially those for business start-up and exit; (iii) building the legal framework for areas such as business registration and contract enforcement; and (iv) reform to attract more private investment to the rural sector. Strategic sectors for the province would include: (i) agroforestry; (ii) agribusiness; and (iii) ecotourism.
- Promotion of agroforestry enterprises would result in the emergence of small and medium enterprises linked to ethnic communities and poor households to take advantage of the recent changes in forest policy (Decree 38 and Decree 147) that have reclassified forestry and emphasized the development of productive forestry. Timber production (e.g. *truc* bamboo, acacia) and wood processing could be undertaken by small and medium enterprises in association with smallholders and communities.
 - Promotion of agribusiness activities would include the development of a livestock industry primarily based on improved cattle and pig production. This could be facilitated by the promotion of a feed industry sourcing raw materials from the local production of maize and soybeans. This could lead to a boost to livestock and feed production in the Northern Mountains.
 - Promotion of ecotourism would lead to the emergence of service industry (food and lodging, tour operators and guides, entertainment, cultural shows, handicrafts) with a key role played by small and medium enterprises and local communities.
57. The Project would assist the relevant provincial departments to access necessary technical assistance, capacity building, information and communication technology and other investments necessary to implement identified reforms.
- Technical assistance to the authorities at provincial and district/commune levels to prepare, implement and monitor targeted, participatory market development plans and carry out periodic market assessments identifying local comparative advantage. Support would be provided for more participatory commune development planning to assess needs and priorities.
 - Capacity would be built of local government and line agencies including Department of Planning and Investment (DPI), Department of Agriculture and Rural Development (DARD), Department of Sport and Tourism, Department of Commerce and associated staff with a view to market oriented planning, promotion of private sector agroforestry/agribusiness/ecotourism and supporting services and more efficient and effective implementation of agricultural production.
 - Communication technology and other investments need to make trade in local markets more structured.

Component 2: Enhanced Agricultural Productivity and Agroforestry Practices

58. Component outcomes include: (i) appropriate services and technology for improved agriculture productivity and agroforestry practices that could be adopted by the rural poor and are essential for their integration into value chains and their beneficial participation in markets (ii) participatory and pluralistic approaches developed to extension taking into account the specificities of upland agriculture and food insecure households; (iii) innovative group-based enterprise models involving agroforestry enterprises and agribusiness (e.g. feed enterprises) working with farmer groups and communities; and (iv) establishment of profitable and sustainable arrangements between poor farmers, communities, and business enterprises, e.g. contract farming.

59. Technology development would include: (i) enhanced sustainable food crop productivity in upland areas and sloping hills; (ii) forage production and storage for enhanced cattle nutrition; (iii) agroforestry products (chuc bamboo, acacia); (iv) high value products (altitude tea, cinnamon, fruit trees, spices, ginger, essential oil plants); and (v) certified organic vegetable production. Complementary resources in terms of land for demonstration sites and credit to farmers for replication would be provided through the Project. Specialized services would need to be provided by the private sector to support value addition within specific commodity or product chains. Once demonstrated a full scale effort for replication would be made.
60. The project would support Provincial/ District Agriculture Extension Centers and mass organisations with training on participatory research/extension, value chain networking, storage and processing technology, and product quality certification. At the commune level, efforts would be made in promoting enterprise models through key farmers and groups, based on local experience and opportunities. Technical support providers would include the Thai Nguyen University and the regional research centers. A network of 'Rural Development Workers' would be established at the village level, based on identified key farmers having a broad knowledge of rural development subjects and training would be provided with an emphasis on participatory extension. The 'Rural Development Workers' would be paid by the cooperative or group that they are a member of.
61. Farmer/producer formal and informal groups at community level would be strengthened where they exist and developed by the project where they do not already exist. These groups would be provided training and capacity building activities through mass organizations for better management capacities, particularly in terms of business management, marketing, and financial management. Special support would be provided to the poorest and vulnerable households in terms of value chain networking, production and postharvest technologies, and marketing. Cooperation among poor households is essential, as economy of scales in procurement of agriculture inputs, production, and sale of outputs represent important factors to establish linkages with enterprises and markets.

Component 3: Development of Market Linkages

62. Component outcomes include: (i) improved market information of provincial agencies, communities and households; (ii) access to microfinance and piloting micro-insurance schemes; (iii) productive market-enabling infrastructure built and maintained.
63. Commune level extensionists and village level 'Rural Development Workers' would ensure that linkages would be made between enhanced agricultural productivity and agroforestry practices with the activities of Component 3, market information, credit and micro insurance made available through AgriBank, Social Policy Bank, Women's Union, NTP-PR and others and market infrastructure investments. The Project would support the gathering and dissemination of market information about strategic investment sectors for the province. Improved communication facilities at the province and district level would facilitate the obtaining of information on prices, buyers and markets, and trends that will be disseminated at the commune and village level.
64. In the view of district and commune leaders, access to microfinance has been one of the most effective ways to reduce poverty over the recent past. Strengthening group lending, savings and credit revolving funds could be effective means to ensure a growing capacity of self-sufficient farmers to acquire the skills to manage money and engage in productive investment or smoothing consumption. Presently the PCFs are designed to be small and do not have sustainable access to resources to finance their expansion potential. The systems, products and client acquisition procedures need a revamp if these institutions are to emerge as credible competitors. Some amendments to the law on credit cooperatives would be necessary if their envisaged growth is to be sustainable.

65. Piloting microinsurance schemes (linked to microfinance schemes) could be an innovative provincial response to vulnerability. The need is to bring in intermediaries between the insurance companies and the rural communities that could bundle the risks, enable that the insurance companies to deal with several small risks in one lot so that transaction costs are kept at a minimum and help the insurance company in understanding the rural market for design of appropriate products and facilitate in claims processing. Mass organisations, NGOs, MFIs and PCFs may be well suited for this role where they become agents of the insurance company and also represent the local community's interests. The subject of insurance could be life, health, productive assets – especially those banks financed and risks such as weather, natural calamities etc.
66. Under the Project market-enabling infrastructure would consist of those facilities that contribute positively to the market/business environment and impact the local economy. Investment in roads, small scale irrigation, field and hill slopes layout, lines connecting to electricity grid, micro hydroelectric generation plants, and storage facilities are likely to have the highest priority.
67. The Project will pilot safety nets schemes to help reduce vulnerability of households and establish the conditions for them to engage in sustainable market linkages. Safety net include cash based transfers to targeted households (particularly the most vulnerable among them) for the implementation of community identified, labour intensive infrastructure/public works and environmental protection services. The Project would ensure the quality and environmental impact of productive safety net activities.

Component 4: Payment for Environmental Services

68. Component outcomes include: (i) upland communities benefiting from forestland allocation; (ii) increased area of forest cover; (ii) sustainable mechanisms developed and plan of action being implemented for payments for environmental services to upland communities.
69. The proposed intervention will address natural resource management issues (land degradation, deforestation, biodiversity loss, carbon emissions, unsustainable use of resources), exploring at the same time innovative mechanisms for their perdurable use (payment for environmental services and forest certification), and supporting national efforts to reform the forest sector (policies on forestland allocation and forest development and protection and community involvement). Carbon financing schemes as part of clean development mechanism (CDM) or non-Kyoto mechanisms such as Voluntary Emission Reduction (VER) schemes could be piloted in the provinces. Carbon financing schemes involving reforestation of protected forests in remote areas would require innovative approaches (including using project funds to add to the current insufficient funds of Government programs to improve protected forest) that improve upon the current weak motivations offered by Program 661.
70. Activities to be promoted would include avoiding deforestation and mitigating forest degradation and protecting forests as a valuable carbon sink tradable under the Kyoto Protocol. Reducing Emissions from Avoided Deforestation and Forest Degradation in Developing Countries (REDD) is now a tradable commodity under the Kyoto mechanism as a decision was taken in the UNFCCC CoP -13 / MoP – 3 held in Bali during December 2007. REDD has the potential to augment additional resources through non-Kyoto mechanisms such as The Global Forest Partnership. However, institutional support and capacity building are vital for Viet Nam to carry forward carbon trading through both Kyoto and non-Kyoto markets.
71. Landscape improvements could occur if closely linked to an effective plan for ecotourism development in the region. The extreme high potential of the province for ecotourism development depends on maintaining and improving its current exceptional landscape and rich biodiversity. This suggests that the maintenance and improvement of the landscape and biodiversity could be linked to paid environmental

services. The services could be provided by communities and paid by tourists (e.g. a portion of the entrance fees of tourists in protected areas) and tourist companies (e.g. a part of their license fees).

Component 5: Project Management

72. The project would establish a supporting Project Management Unit (PMU), whose primary task would essentially be value chain management particularly connecting the higher ends of the value chain (buyers) with producers. The project would establish a supporting Project Management Unit (PMU) for day-to-day management and operations, and implementation would be decentralized to the relevant level. The PMU would be a small unit with responsibility for project financial and procurement management, information management and project monitoring and evaluation. The PMU would also include 1- skilled professional staff who would be supporting the provincial departments responsible for formulating and implementing the business investment plans in strategic sectors, facilitated market linkages, competitive market grants, participatory action research and extension programs. The Project would be required to prepare provincial agriculture market plans, which would be approved by the Provincial People's Committee (PPC).
73. **Agri-Business Development Facility:** An agribusiness (including agroforestry) development facility in the DARD connected to Provincial Extension Centre and regional research institutions would direct resources towards enhancing the competitiveness and value of rural poor households' products and test new instrument. These resources would be provided through competitive grants for appropriate technologies.
74. At the District level, the DPC would implement project activities with particular involvement of the agricultural extension worker, accountant and infrastructure coordinator. At the commune level, the CPC would be the focal point to all project activities, with particular involvement of the agricultural extension worker, accountant and infrastructure coordinator. At the commune/village level and therefore, there should be a number of Rural Development Workers from cooperatives and rural collaborative groups to assist implementation.
75. While their engagement is difficult to forecast, it is foreseen that private sector stakeholders would be key in driving the value chain initiatives.

VII. Issues on which the team seeks guidance

76. IFAD seeks guidance on the following:
- Shaping the development objectives
 - Allocation of IFAD resources;
 - Selection of districts and communes for inclusion in the project;
 - Most appropriate location of the provincial PMUs in pulling together the various project activities; to minimize overlap and ensure maximum national benefit;
 - Possible like-minded-donors who would be interested to co-finance;
 - Duration of the project.

VIII. Costs and Financing

77. The project is estimated to cost USD 18.5 million, including a IFAD loan of USD 15 million, a government contribution of USD 3 million delivered through and USD 0.5 million in beneficiary co-financing. Project costs by component are estimated as follows:

Component	Component Funding (USD million)			Total
	IFAD	GoVN	Beneficiary	
Promotion of Strategic Investment	2.0	0.5	0.0	2.5
Enhancing Agricultural Productivity and Agroforestry Practices	3.0	1.0	0.0	4.0
Development of Market Linkages	8.0	0.0	0.5	8.5
Payment for Environmental Services	1.0	0.0	0.0	1.0
Project Management	1.0	1.5	0.0	2.5
Total	15.0	3.0	0.5	18.5

IX. Organization and Management

78. At the Provincial level, a Provincial Project Steering Committee would be established under the PPC for oversight, guidance on policy issues and coordination between different line agencies. A PMU would be established for day-to-day management and operations, and implementation would be decentralized to the relevant level. At the District level, the DPC would implement project activities with particular involvement of the agricultural extension worker, accountant and infrastructure coordinator. At the commune level, the CPC would be the focal point to all project activities, with particular involvement of the agricultural extension worker, accountant and infrastructure coordinator. At the commune/village level and therefore, there should be a number of Rural Development Workers from cooperatives and rural collaborative groups to assist implementation.
79. While their engagement is difficult to forecast, it is foreseen that private sector stakeholders would be key in driving the value chain initiatives.

X. Monitoring and Evaluation Indicators

80. Key success indicators might include:

- At Goal (Impact) level:
 - (i) Improvement in RIMS household asset and malnutrition indicators;
 - (ii) Reduction in the prevalence of poor households below the poverty line in targeted areas and near poor households
- At Purpose level:
 - (iii) Increased forest coverage
 - (iv) Land degradation decreases
 - (v) Biodiversity is maintained
- At Component level
 - (vi) Forestland allocated to households
 - (vii) Administrative reform in investment environment and business procedures, especially those for business start-up and exit;
 - (viii) Framework for areas such as business registration and contract enforcement;
 - (ix) Reform to attract more private investment to the rural sector
 - (x) Sustainable mechanisms developed and plan of action being implemented for payments for environmental services to upland communities.
 - (xi) Participatory and pluralistic approaches developed to extension taking into account the specificities of upland agriculture and food insecure households;

- (xii) Innovative group-based enterprise models involving agroforestry enterprises and agribusiness (e.g. feed enterprises) working with farmer groups and communities;
- (xiii) Establishment of profitable and sustainable arrangements between poor farmers, communities, and business enterprises, e.g. contract farming.

XI. Risks

81. Institutional risk is associated with the inability of provincial departments and institutions to adapt their procedures and programs to more market oriented approaches to agriculture and rural development. This risk would be addressed by (i) close participation of PPC and provincial departments and institutions in the project design process, including visits to provinces already implementing aspects of the proposed project; (ii) PPC approval of an agreed provincial agricultural market development plan a condition of related component implementation; (iii) increased dialogue between government agencies and project beneficiaries including stakeholder participation in the PCC; and (iv) capacity building of provincial staff through technical assistance and competency based training programs.

XII. XII. Exit strategy

82. Exit strategies will be part of the project design and commence from project implementation. For the proposed IFAD interventions there are 3 main sustainability themes: provincial agribusiness – development of the enabling environment that encourages the private sector and investment; strengthening of provincial institutions (PPC, line agencies and at district and commune level) to plan and implement the project; and develop viable small businesses, value chains and profitable farming enterprises.
83. The project management method used has considerable impact on capacity development of the implementation agencies and sustainability. IFAD's embedded Project Management Unit (PMU) approach, where the project management team is integrated into the provincial implementing department, should continue to be developed. The provincial department is the implementing agency and the role of the IFAD project staff is to support the departmental staff to implement the project activities. The embedded approach is the final stage in the move to budget support and compliance with the Hanoi Core Statement and other donor agreements. Features of the approach should include the phased withdrawal of project management support. The process should be underpinned by development of strengthened systems, including project implementation guidelines.

Key file 1: Rural poverty and agricultural/rural sector issues

Priority areas	Affected group	Major issues	Actions needed
Moderate (23%) malnutrition, especially among children and women	Children and women in rural areas of all ethnic groups and lowland people.	<ul style="list-style-type: none"> Lack of knowledge on nutrition among rural women Limited or no access to land for the production of the staple crops (rice, cassava, sweet potato) and common and simple-to-grow fruit trees such as banana, lemon, pineapple. 	<ul style="list-style-type: none"> Nutrition and health education for women and men. Encourage them to grow banana, lemon, pineapple around their houses, in home gardens. Develop income-earning potential for poor households through literacy, vocational training and small credit disbursement to women and men. Set up of a Disaster Preparedness Fund.
Rural unemployment	Young men and women in rural areas. Some ethnic minorities; lowland people of extremely poor origin	<ul style="list-style-type: none"> Lack of skills; unavailable job opportunities Landlessness; Lack of diversification of agriculture. Non existence of value added for local primary products. 	<ul style="list-style-type: none"> Improve vocational training system in the country by establishing, or improving the competence of, low cost vocational schools in each province to provide opportunities for rural youth to learn. Create infrastructure construction jobs to absorb rural youth; Create rural industries, handicraft production, sustainable farming systems linked to markets. Attract and promote private investment in rural areas
Poor rural infrastructure	Most farmers, particularly in upland areas; business groups; other stakeholders concerned for rural development.	<ul style="list-style-type: none"> Transport system: dirt roads, temporary (monkey) bridges, or lack of bridges. Limited electricity at the village level Telephone service not available in remote areas Squatting market places. Limited clean water. Limited irrigation and drainage (I/D) system, especially for farmers in saline areas and in the uplands. 	<ul style="list-style-type: none"> Invest in local transport infrastructure; avoid requiring free labour contribution from the poor rural people. Provide facilities to bring electric lines to rural areas. Establish telephone service to reach remote areas; particularly wireless mobile phone system Provide facilities for clean water, such as deep well. Improving the I/D system by dredging the existing canals; only create new system when good water source available, otherwise introduce appropriate rain-harvesting technologies; negotiate with different stakeholders (farmer's associations, cooperatives) a shared vision for the equitable and sustainable development of the existing system –possibly by forming water users' groups; negotiate modalities for cost recovery, introduction of cash crops in order to sustain O&M, diversify and increase farming incomes.
Problematic livestock production	Poultry farmers and livestock owners in rural areas.	<ul style="list-style-type: none"> Contagious diseases affecting livestock: avian flu, foot and mouth, pig's blue ears. Farmer's resistance towards animal vaccination. 	<ul style="list-style-type: none"> Establish an effective livestock extension service and integrate into the existing extension system. Enforce livestock vaccination scheme.

		<ul style="list-style-type: none"> Farmer's frequent violation of safety measures for livestock. 	<ul style="list-style-type: none"> Loans to help households re-stock.
Problematic aquaculture production	<p>Catfish producers in the Mekong Delta.</p> <p>Many shrimp producers in the coastal areas of Viet Nam.</p>	<ul style="list-style-type: none"> Contagious fish diseases spreading due to inappropriate water management, leading to overuse of antibiotics. Shrimp diseases spreading due to inappropriate water management, leading to overuse of antibiotics. 	<ul style="list-style-type: none"> Strictly require all producers to stick to regulations concerning sustainable fish and shrimp culture. Provide scientific water management schemes for aquaculture production to replace existing unscientific, unorganized production practices.
Low productivity and unsustainable use of forestry resources	Upland communities	<ul style="list-style-type: none"> Swidden agriculture, leading to deforestation and land degradation Limited use of productive forestry Low rate of forest allocation to households particularly in the Central Highlands 	<ul style="list-style-type: none"> Accelerate forest land allocation to households and communities Promote agroforestry through linkages of communities with agroforestry enterprises including SME Accelerate programme for disseminating sustainable practices in upland areas combining agriculture, productive use of forestry, and conservation
Vulnerability to natural disasters	Farmers in flood-prone areas (e.g. Mekong Delta), cyclone areas (e.g. Central Coast), and drought areas (e.g. Central Highlands and Northern Mountains)	<ul style="list-style-type: none"> Poor households forced to sell productive assets (livestock, land) to cope with distress Lack of insurance schemes to protect from disease, death in the family, accidents, and loss/damage of productive assets (livestock, irrigation systems) 	<ul style="list-style-type: none"> Improve early warning system and preparedness to natural disasters Productive safety nets Promote microinsurance schemes
Low value added of agriculture	Most farmers	<ul style="list-style-type: none"> Difficulty in diversifying towards high-value commodities Low-quality of products Little postharvest and processing at the village level Little negotiation power of farmers 	<ul style="list-style-type: none"> Promote farmer organizations better able to organize production, procure inputs, engage in postharvest activities (storage, packaging, grading, labelling), and market products Promote contract farming with agribusiness enterprises Disseminate market information and ensure agricultural extension improves linkages of farmers to markets Make finance available for multi-year commodity systems (e.g. perennial crops, livestock, essential oils) Support integration of farmer groups with value chains
Moderate illiteracy rates	Among older women and men of all groups; ethnic youth.	<ul style="list-style-type: none"> Lack of access to education and illiteracy, particularly among women. Illiteracy persists as rural households did not take formal education; although children education is free, but schools impose many fees beyond parents' capacity; and high involvement of girls and boys in domestic and agricultural tasks. 	<ul style="list-style-type: none"> Step up illiteracy eradication campaign. Mobilizing students on vacation to teach farmers and their children. Alternative community and state financing for the poorest households to be able to send their children to schools. Integrate educational level as one of the requirements to obtain social/civil services (such as obtaining driving license, rural business license...).

Key file 2: Organizations matrix (strengths, weaknesses, opportunities and threats [SWOT] analysis)

Organization	Strengths	Weaknesses	Opportunities/Threats
Enablers			
<p>Ministry of Planning and Investment (MPI)</p> <p>Department of Planning and Investment (DPI) in provinces</p>	<p>This Ministry is the authority for coordinating ODA and local resources in socio-economic development planning.</p> <p>Responsible agency for investment promotion and private sector development at the Central level and the provincial levels.</p> <p>Strong decentralized organizational structure from central to province, district levels in terms of planning and integration of different resources.</p> <p>Qualified staff and high commitment to international cooperation.</p> <p>Working partnership between central and provincial agencies.</p>	<p>Weak mechanism to ensure harmonization of ODA and government budget.</p> <p>Weak coordination of different development programmes, government and donor.</p> <p>Current planning schedule does not allow time to apply bottom-up planning even when capacities have been generated through donor-supported initiatives.</p> <p>Insufficient capacity in monitoring of project implementation after their approval.</p>	<p>The Ministry has decided to change local planning processes towards participation and market-based approaches. Three provinces have been selected to implement the pilot innovative planning mechanism. IFAD has opportunities to institutionalize the participatory market-based planning approach.</p> <p>Creation of a dedicated Country Programme Management Team (CPMT) with the MPI playing the coordination role will mobilize Government agencies for implementation support of IFAD activities.</p> <p>Through better cooperation with MPI and DPI in the province, IFAD projects and activities can be better integrated into Government led rural development projects and programs, in particular Program 135.</p> <p>MPI has launched a unified Quality Management System and a Roadmap for harmonization of procedures for all ODA projects. CPMT under MPI leadership can assist IFAD in making more effective the project M&E systems and harmonization of management procedures.</p>
<p>Ministry of Finance (MOF) including the State Treasury System</p>	<p>This Ministry represents Viet Nam in IFAD's Governing Council and representative of the Borrower. This Ministry also manages financial flows from IFAD to all projects.</p> <p>Responsible for financial management norms for the province, district and commune levels.</p> <p>Qualified and experienced staff in financial management and international cooperation.</p> <p>Consolidated procedures and cost norms available</p>	<p>Slow revision of cost norms to keep pace with inflation and rising prices makes project staff less motivated due to low salaries with little travel allowance,</p> <p>IFAD activities in remote areas cannot access qualified to service providers due to low incentives set.</p> <p>Given the complicated procedures of the Treasury for withdrawal of funds on top of the low capacity of accountants at the commune level project</p>	<p>Through better communication and engagement in the Country Programme Management Team (CPMT), MOF can accelerate resource circulation, improve financial management capacities and update norms for IFAD activities.</p> <p>Cooperation with MOF and the State Bank, to review all the microfinance models under IFAD projects in the past and identify the best practices for replication or modification.</p> <p>Harmonization between Government and IFAD</p>

Organization	Strengths	Weaknesses	Opportunities/Threats
	<p>for management of ODA project activities</p> <p>District Treasury Units are well established to hold accounts of Commune People's Committees, who are the decentralized owners of IFAD project resources.</p>	<p>activities have been delayed.</p> <p>Lack of initiative in solving problems of delayed availability of IFAD funds, for example, the Province Treasury does not pre-finance prefinance activities for IFAD projects.</p>	<p>procedures will reduce work burden in financial management for both MOF and IFAD</p> <p>Innovative experiments of financial services such as the Equity Fund, Guarantee Fund under IFAD projects should be assessed and considered for replication.</p>
<p>Ministry of Agriculture and Rural Development (MARD-DARDs in provinces)</p>	<p>Mandated for agriculture and rural development, MARD is a strategic partner of IFAD for formulation, implementation and monitoring/evaluation of the IFAD programme in Viet Nam.</p> <p>As the agriculture and rural development policy and decision maker, MARD has capacities in policy and technology development and research as well as services including extension, plant protection and veterinary.</p> <p>Managing nearly 200 projects funded by different donors and partners MARD has an important role in the coordination among Government and donors.</p> <p>The International Support Group (ISG) under MARD is the most substantive policy dialogue and partnership for agriculture and rural development in Viet Nam.</p>	<p>Unclear roles of MARD in linking farmers with markets and establishing institutions to enable the development of value chains.</p> <p>Established mandate of the extension system is to provide top-down technology transfer for increasing production. Currently, the provision of marketing and business development services is lacking.</p> <p>Limited qualification and expertise of MARD staff, especially at the district and commune levels, in market linkages and business/private sector partnership promotion.</p> <p>Dominant mindset of giving subsidies to farmers. Limited understanding among extension staff of their role in facilitation of farmer's access to private resources and business ideas.</p> <p>Quality of the agriculture development plans of upland provinces rely more on subsidized support from the Government rather than on commercialization through private investment development.</p> <p>Role of facilitating the growth of private sector not clear and lack of decentralized and pluralistic extension delivery.</p>	<p>MARD is a major partner for IFAD, knowledge management and policy development at the national level by the IFAD-supported innovative experiences generated at the local levels.</p> <p>Opportunities have been identified by the COSOP formulation workshop with think tanks, agencies and research institutes under MARD.</p> <p>IFAD would cooperate with MARD and DARDs in provinces to strengthen the commune/village-based extension network in providing marketing and business development services.</p> <p>To implement Decree No. 56, IFAD would cooperate with DARDs in provinces to develop extension workers to become facilitators of the private sector and more demand driven service delivery.</p> <p>The Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD), the Institutes under Agriculture Science and Technology Academy, the Northern Upland Agriculture and Forestry Institute, the Thai Nguyen Agriculture University, etc. have committed to be long-term partners with IFAD to provide technical assistance and human resources for policy and capacity building activities under IFAD projects.</p> <p>The central agencies/institutes would cooperate with IFAD project stakeholders to upscale innovative practices and institutionalize the market-based approach in national policies and programmes.</p>
<p>Department for Ethnic Minorities (CEMMA)</p>	<p>Mandated for ethnic issues, mountainous and rural development, CEMMA is the Coordinator of Programme 135, which has generated substantive</p>	<p>As a political committee CEMMA needs technical expertise from line agencies to implement the Programme 135 and other poverty reduction</p>	<p>There are great opportunities for IFAD to integrate and harmonize IFAD-funded projects in the provinces with Programme 135, so that</p>

Organization	Strengths	Weaknesses	Opportunities/Threats
	<p>resources and implementation experience for poverty reduction in mountainous areas.</p> <p>As the special Government Committee on ethnic issues, CEMMA has advantages of its position to advocate for changes in the policies and programmes to develop mountainous areas.</p>	<p>initiatives.</p> <p>Lack of qualified staff and expertise in integrated rural development approach to function as the rural development coordinator.</p> <p>Top-down subsidies and welfare centred approach.</p>	<p>the methodologies introduced by IFAD could be replicated under the national programme.</p>
Provincial People's Committee (PPC)	<p>Mandated to coordinate all rural development activities from national/provincial and donor sources, PPC is the major counterpart to IFAD programme/projects and the executive body to ensure IFAD activities are in line with Government policies and the local SEDP.</p> <p>The PPC leads the IFAD Project Steering Committee and is responsible for overall planning, development, coordination and implementation of IFAD projects.</p> <p>PPCs in IFAD supported provinces have made considerable efforts in issuing decisions and guidelines to enable innovative models, for example the regulations related to participation and decentralization initiatives over the past COSOP.</p> <p>PPCs have demonstrated strong commitment to enable the IFAD-supported initiatives in the new COSOP promoting market-based poverty reduction approach.</p>	<p>In poorer provinces, PPCs are highly dependent on central government for development resources and this limits local independence of actions and initiatives.</p> <p>Weak capacity for coordination and integration of donor assisted projects with the Government programmes and projects.</p> <p>Lack of qualified and experienced staffs to assist the PPC leaders who are overburdened with leadership responsibilities.</p> <p>Prioritization of political agenda over economic agenda with regards to the usage of funds.</p> <p>Less flexible local administration due to high reliance on central procedures.</p>	<p>Emerging opportunities for IFAD to assist PPCs in realization of new rural development and poverty reduction policies based on markets linkages and private sector partnership as Viet Nam has joined WTO</p> <p>Strong decentralization of power in decision making to the PPCs. PPC's commitment to further decentralization and capacity building at lower levels like districts and communes.</p> <p>Opportunity for IFAD to assist the PPCs in improving coordination and integration between various sources of development funding.</p>
District People's Committees	<p>Key role in planning, financing and implementing investments at district level.</p> <p>Close working partnership with provincial agencies and commune authorities.</p>	<p>Highly dominated by the supply-driven planning</p> <p>Part-time staff availability for project work.</p> <p>Overall staff capacity and qualifications still limited, especially for participatory rural development.</p> <p>Limited independence of action and local initiative</p> <p>Frequent staff transfers.</p> <p>Insufficient logistics.</p>	<p>Provision of full time project staff is possible.</p> <p>Focal point of provincial and district partners in project implementation.</p> <p>Opportunity for further market demand-driven capacity development for effective technical support to commune level.</p>
Commune People's	Mandated government institution for planning and	Limited ability to handle finances.	Opportunity to develop CPC financial and

Organization	Strengths	Weaknesses	Opportunities/Threats
Committees	<p>coordination at commune level.</p> <p>Grassroots democracy decree established in communes</p> <p>Some communes under previous projects received training courses on participatory planning and market approach</p> <p>Increasing roles of mass organizations such as the Women's Union in delivery of microfinance.</p> <p>Improved technical capacity to oversee infrastructure works.</p>	<p>Participatory planning capacity .still weak</p> <p>Little self-confidence and pro-active approach due to decades of top-down development delivery.</p>	<p>administrative capacities to become an effective implementer of Grass Roots Democracy decree and effectively translate beneficiaries' preferences into action.</p> <p>Continuing need for capacity building of CPC level for better implementation.</p>
Village	<p>Main foci of planning and implementation involving the target group.</p> <p>Important for local planning needs identification and implementation of village public works.</p> <p>Closest to the target group and is the entry point for providing information.</p>	<p>Village is not a formal level of administration in Viet Nam's administrative system.</p> <p>Village heads and mass organization staff have limited literacy levels and understanding.</p> <p>Many villages are very small and are widely dispersed</p> <p>A number of target villages inhabited by different ethnic groups resulting in linguistic difficulties and lack of cultural cohesion.</p>	<p>Opportunity to create formal grassroots institutions capable of articulating local needs and participating in village level development.</p> <p>Only place where poor can participate directly in the decision-making affecting their lives.</p> <p>Opportunity to develop and improve village level skills and capacities.</p> <p>Possible lack of political will at provincial and district level to afford effective say to the village level institutions</p>
Service Providers			
Viet Nam Bank for Agriculture and Rural Development	<p>Mandated micro-finance activities targeted at the rural population with priorities to the poor but with market-based interest rates.</p> <p>Reasonably good liquidity position to meet local micro-finance needs.</p> <p>Expanding branch network and services down to the commune level.</p> <p>VBARD has used model of partnership with mass organization for individual loans delivery but through interactions of group members.</p>	<p>High transaction costs as individual lending methodology is main and group lending not mainstreamed.</p> <p>Lending procedures still not geared to give access to medium and long term loans.</p>	<p>Can be helped to improve the orientation and approach to micro-finance and group lending.</p> <p>Limited outreach in mountainous and remote areas, weak network compared to VBSP in difficult areas.</p> <p>Ongoing policy dialogue with bank management to provide better finance access for SMEs and business groups.</p>
Mass organizations (Farmers' Associations, Women's Union, Youth Union) at the central,	Well structured organization from the central level to villages.	In principle they are organizations with political mandates therefore they have met many difficulties in delivering economic development	IFAD could continue to develop cooperation with Women's Union in delivery of microfinance service through the Women's Saving and Credit

Organization	Strengths	Weaknesses	Opportunities/Threats
<p>province, district and commune levels and the other Non-Government Organizations.</p>	<p>As representative bodies of social classes, mass organizations have advantages in providing feedback and comments on state policies and activities</p> <p>Mandated to mobilize social support for implementation of the national policies and programmes, the mass organizations have a substantive number of staffs at the grassroots level</p> <p>Under market reforms, mass organizations have been mobilized to deliver public services such as legal assistance, microfinance delivery and social welfare activities. They have accumulated experience in development of community capacities and promotion of grassroots democracy.</p>	<p>services.</p> <p>Lack of understanding on civil society concepts and skills for social mobilization in addition to professional areas.</p> <p>Markets-based approach is new area for mass organizations</p>	<p>Groups</p> <p>Common interest group, rural collaborative group and association development is an ideal objective for possible cooperation with the Farmer's Union</p> <p>Mass organizations are very good partners to deliver the public awareness programme on markets and business opportunities</p> <p>Opportunity to improve the role of mass organizations for strengthening the "Voices of the Poor" under their mandate to provide social feedback to decision makers.</p>

Key file 3: Complementary donor initiative/partnership potential

Agency	Priority sectors and areas of focus	Period of current country strategy	Complementarity/Synergy Potential
World Bank	<ul style="list-style-type: none"> • Improving the Business Environment • Strengthening Social Inclusion • Strengthening Natural Resources and Environmental Management • Improving Governance 	<ul style="list-style-type: none"> • 2007 – 2011 	<ul style="list-style-type: none"> • Innovation: Based on continued dialogue with the WB country office, linking innovations emanating from IFAD projects to the applied research department in the WB, may ensure that there is learning from the innovations and to ensure that the methodology can be captured in a systematic way. • Programme 135 Phase II (P135-II): While the production support component through MARD continues to present challenges for successful implementation of P135-II, IFAD will use its grant resources around pilot provinces that are implementing the component in a market oriented and socially inclusive manner. • Rural finance: As the guidelines for Decree 28 have been issued recently on the establishment of microfinance institutions, there is a possibility of creating sustainable institutions in that rural space and guiding them as credible MFIs. As WB would be developing a Rural Finance Project – III, IFAD should link microfinance experience to the larger policy framework discussions. • Climate Change: An area that both WB and IFAD would like to see brought forward in consultation with the Government and other development partners.
Asian Development Bank	<ul style="list-style-type: none"> • Pro-poor Business-led Economic Growth • Social Equity and Balanced Development • Environmental Protection and Management 	<ul style="list-style-type: none"> • 2007-2010 	<ul style="list-style-type: none"> • Geographic area: In the Country Operations Business plan (2008 – 2010), ADB has identified 'Transport Connections in Northern Mountainous Provinces', which will be prepared in 2008 and develop road connections from Hanoi to China border. In this context, seek complementarities with IFAD initiatives to promote market oriented planning and pro-poor options for livelihoods improvement with the improved connectivity that the small holder farmers would have. Complementarities would be pursued with ADB to this effect • Making Markets Work Effectively for the Poor (M4P): M4P, which is financed by ADB and DFID, is a active partner for IFAD in the implementation of the ongoing country programme, documenting and providing a learning platform upon which the 'Programme for Improving Market Participation for the Poor' in Ha Tinh and Tra Vinh provinces, which were designed around M4P ideas and then more recently from Cao Bang and Ben Tre provinces for the new 'Developing Business with the Rural Poor Programme'. M4P- II would also have a challenge fund that can partner with private initiatives to create a social and economic impact in the concerned provinces. • Quality and Safety Enhancement of Agriculture Products: ADB has recently designed and approved this Project, which will provide an anchor for some of the food safety related activities that IFAD would be implementing in the IFAD supported Project provinces.
Japan (JICA/JBIC)	JBIC <ul style="list-style-type: none"> • Assistance to Economic Infrastructure to Sustain Economic Growth and to Strengthen International Competitiveness • Support for Poverty Reduction; 	<ul style="list-style-type: none"> • 2004 – under discussion (JICA) 	<ul style="list-style-type: none"> • Transport corridors: JBIC projects tend to be medium to larger scale infrastructure projects, where there is possibility; complementary agricultural and livelihoods improvement investments could be made by IFAD. More detailed planning would need to take place. • Promotion of Growth and Competitiveness: JICA efforts are made in strengthening human resource and institution building by transferring technology

Agency	Priority sectors and areas of focus	Period of current country strategy	Complementarity/Synergy Potential
	<ul style="list-style-type: none"> • Contribution to Environmental Conservation and Management; • Assistance to Human Resources Development. <p>JICA</p> <ul style="list-style-type: none"> • Promotion of Growth and Competitiveness; • Livelihood Improvement and Narrowing Disparities; • Environment Protection; • Governance Strengthening. 		<p>and knowledge. Particularly in the context of rural transformation and development, it would be excellent if possibilities for technical cooperation partnership with JICA could be developed.</p> <ul style="list-style-type: none"> • Geographical focus: Development Studies (DS) are conducted to formulate development plans at the national or regional level in various social and economic fields. If the geographic focus is the same, IFAD can look at the possibility of building on JICA's DS.
DFID (UK)	<ul style="list-style-type: none"> • Ensure that the poor benefit from the opportunities provided by World Trade Organization (WTO) accession and work to minimize the negative impacts on them • Improve the quality and inclusiveness of services for the poor and vulnerable • Promote effective and accountable governance 	<ul style="list-style-type: none"> • 2007 - 2011 	<ul style="list-style-type: none"> • Making Markets Work Effectively for the Poor (M4P): Viet Nam still suffers from a number of institutional bottlenecks, which may be one of the downside of such rapid economic growth. DFID and IFAD are working on the institutional elements of pro-poor economic growth through an established partnership with M4P. This partnership will be built upon as lessons are learnt during implementation and partnerships with institutions like the Viet Nam Chambers of Commerce develop. • P135-II: The modality of using the one budget support instrument for funding to basic services is being tested. In the future, there is a possibility that collaborative work could be pursued with regards to strengthening the voice of civil society. • UN Reform: DFID is a strong advocate of the UN reform process and 'Delivering as One' - One Plan, One Leader, One Budget, One House and One set of Management Practises. Within this umbrella, IFAD continues to work towards being part of the One UN initiative and indirectly benefits from DFID support of the initiative. • Climate Change: While this remains a large area that needs to be addressed, there is still a need for interministerial dialogue. DFID is working with other donors to encourage the Government of Viet Nam to address climate change in its programme. As this is a new area for IFAD, it would be explored with a consortium of development partners.
Luxembourg	<ul style="list-style-type: none"> • Social Development • Health, • Education, including vocational training access to labour markets • Integrated rural development with a strong emphasis on water and sanitation • Microfinance 	<ul style="list-style-type: none"> • 2006 to 2010 	<ul style="list-style-type: none"> • Integrated Rural Development: In the new programme 'Developing Business with the Rural Poor' in Cao Bang province, it is proposed that Lux Development and IFAD work together. A technical cooperation package is being put together to complement and provide implementation support to the investment. • Knowledge management: As Cao Bang is one of Luxembourg's priority provinces, Luxembourg has a number of initiatives in this province. Luxembourg and IFAD would make joint efforts to consolidate experience in the context of the knowledge management strategy, in specific areas, e.g. vocational training. Joint implementation would enable joint knowledge products documenting options for upland areas in Cao bang Province.

Agency	Priority sectors and areas of focus	Period of current country strategy	Complementarity/Synergy Potential
New Zealand	<ul style="list-style-type: none"> • Sustainable rural livelihoods • Education • Health • Governance 		<ul style="list-style-type: none"> • Province-level Planning: New Zealand with a group of like minded donors are carrying out an assessment of provincial level planning and programming, IFAD would be interested in joining the initiative
Germany	<ul style="list-style-type: none"> • Sustainable Economic Development • Environmental policy, Protection and sustainable use of natural resources including water supply, waste water and solid waste disposal • Health 		<ul style="list-style-type: none"> • Knowledge Management: As GTZ and IFAD are collaborating in 2 provinces, Ha Tinh and Tra Vinh, and there is a proposal to widen the scope of the partnership, GTZ and IFAD will work with M4P in the future to capture the lessons learnt from implementation of pro-poor market oriented interventions to consolidate experience. • Climate Change and Environmental services: This is an area where GTZ has a comparative advantage and experience. Therefore, as IFAD expands its programme into carbon creditation, it would be beneficial to build on the experience of GTZ. As climate change impacts heavily the Delta areas, it is suggested that there should be some collaborative learning in the Mekong provinces of Tra Vinh, Ben Tre and Soc Trang • Programme based approach: GTZ and IFAD collaboration is an excellent example of a programme based approach and strengthens the rationale for technical cooperation to complement the investment through harmonized planning and monitoring processes.
Finland	<ul style="list-style-type: none"> • Multi-sectoral poverty reduction programmes • Water supply and sanitation • Rural development • Forestry 	<ul style="list-style-type: none"> • 2005 – 2015 	<ul style="list-style-type: none"> • P135-II: Finland is coordinating a number of studies to be carried out in light of the upcoming MTR, instrumental to having the necessary analytical underpinnings; IFAD will collaborate with Finland in this endeavour. A Working Group to support the production support component, led by the Government would be useful to ensure that there is more progress made on the component and that the development partners can have a forum for sharing lessons learnt with the Government. • Forestry: Finland continues to support the establishment of a National Forest Strategy and its integration into the national five-year planning system as well as the strengthening of sector coordination and monitoring capacity. As IFAD strengthens its efforts for sustainable and equitable use of natural assets, it is proposed t that the partnership with Finland be strengthened. • Climate Change: An area where Finland would be interested to partner with Government and other development partners proactive.
USAID	<ul style="list-style-type: none"> • Improved Regional Governance and Economic Reform • Vulnerable Populations in The Region Assisted • Increased Effective Regional Response to HIV/AIDS and Infectious Diseases • Improved Regional Environmental Conditions 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Information and Communication Technology (ICT) activities: in the context of Viet Nam's efforts to set up the application and development of IT targeting communities at the village level to improve access to, knowledge of, and appreciation for telecommunications technology, IFAD can collaborate with USAID.

Agency	Priority sectors and areas of focus	Period of current country strategy	Complementarity/Synergy Potential
DANIDA	<ul style="list-style-type: none"> • Support to the reform program underpinning Viet Nam's development and poverty reduction strategy and the necessary framework for implementation of the sector programmes • Support to sustainable production increases in agriculture, fisheries and other parts of the private sector where potential for pro-poor growth is highest • Development of human resources • Strengthening of democratization, popular participation, and respect for human rights as well as gender and environment. • Strengthening the fight against the HIV/AIDS-epidemic. 	<ul style="list-style-type: none"> • 2006 - 2010 	<ul style="list-style-type: none"> • Business Linkage Programme: Danish support for agriculture and fisheries contributes to strengthening the private sector. DANIDA's business sector programme focuses on improving the business environment and the conditions for small and medium-sized enterprises, contributing to creating new jobs. As IFAD is also promoting an approach which tries to induce the efforts of private sector activity that benefits the poor, partnership based on lesson sharing would be beneficial. • Grassroots Democracy Decree: DANIDA's interventions are in provinces where the poverty incidence is high, i.e. in the Central Highlands, the Mekong Delta and in the North Central provinces. It would be useful to approach DANIDA to work together to operationalize the Grassroots Democracy Decree to actively involve local communities in the preparation and implementation of activities. Improved governance, including increased transparency and accountability in the public sector and the development of a better functioning judicial system, limits the arbitrariness of decisions and rights. This will particularly benefit the population groups without connections and influence, primarily poor women and men. It will also reduce corruption and improve predictability, which is essential for the development of the private sector.
Netherlands	<ul style="list-style-type: none"> • Forestry and biodiversity • Water management • Health 		<ul style="list-style-type: none"> • Forest Sector Support Programme (FSSP) and Partnership: In November 2001, a Partnership Agreement to support the implementation of Viet Nam National Forest Development Strategy and the National Target Programme for forests (the 661 Programme) was signed by the Vietnamese Government, and presently 25 donors and other relevant agencies. Netherlands is a major donor in providing support to the implementation of priorities agreed in the framework of the FSSP; help coordinate ODA support to the Forest Sector, especially for achieving a sector-wide support mechanism and improving poverty targeting. IFAD would benefit from engaging with development partners in the FSSP.
CIDA (Canada)	<ul style="list-style-type: none"> • To support equitable economic growth through reforms that promote transparent and accountable governance • To improve rural livelihoods through support for agriculture and rural development • To improve access to quality basic education, especially for the rural poor and disadvantaged boys and girls 	<ul style="list-style-type: none"> • 2004-2009 	<ul style="list-style-type: none"> • Reforms for transparent and accountable governance: At the provincial level, both CIDA and IFAD are working in Ha Tinh and Tra Vinh provinces on similar objectives of pro-poor economic growth through area development; a provincial level partnership should be formed to carry out related policy and institutional reforms. CIDA has a comparative advantage in mainstreaming and building capacity. • Improved Rural Livelihoods: As CIDA and IFAD are working on improved viability of rural small and medium enterprises for improving livelihoods, it is an area where joint knowledge management products can be generated at the provincial level. IFAD would like to learn from CIDA with regards to increased national capacity to meet international food-quality standards and gain access to regional international markets. • Gender: For CIDA and IFAD, gender and environmental sustainability are crosscutting themes. IFAD will be developing a group of skilled gender experts in Viet Nam, for which CIDA has expressed interest.

Agency	Priority sectors and areas of focus	Period of current country strategy	Complementarity/Synergy Potential
Switzerland Swiss Agency for Development and Cooperation (SDC)	<ul style="list-style-type: none"> • Governance • Natural Resource Management • Urban Governance • Humanitarian Aid 	<ul style="list-style-type: none"> • 2006-2010 	<ul style="list-style-type: none"> • Supporting Public Administration Reform in Cao Bang Province (SPAR-CB): IFAD supported 'Developing Business with the Rural Poor Programme' would build on SDC's SPAR initiative to strengthen local capacities in financial management at provincial and district levels; and (planning at provincial and district levels. • Financial Management Reform: The Government of Viet Nam (GoVN) has started developing a comprehensive Public Financial Management Modernisation Programme (PFMMP). The Like-Minded Donor Group (LMDG) members including Governments of Denmark, the Netherlands, Norway, Sweden, Canada, the United Kingdom and Switzerland decided to support the PFMMP. While IFAD is not part of this initiative, currently, it would be seen whether IFAD to engage, • Monitoring and Evaluation (M&E) System: The system will serve as a strong tool and a reliable information base for evidence-based policy formulation and results-oriented planning processes. Appropriate policy documents needed to institutionalize the M&E system in the sector will also be worked out accordingly. AS IFAD is putting more efforts in working with MARD, it would be interesting to try to engage and build a harmonized M&E system. • Extension and Training Support for Forestry and Agriculture in the Uplands (ETSP): IFAD would welcome learning from the sustainable Natural Resource Management planning and extension processes as basis for training that have been identified: land use planning, forest land allocation, forest protection, forest management planning, participatory technology development, market analysis and development, village/commune development planning. ETSP is disseminating experiences and best practices.
UN	<ul style="list-style-type: none"> • Equitable and Inclusive Social and Economic Policies, Plans and Laws • Universally Available, High Quality Social and Protection Services • Environmental Protection and the Rational Use of Natural Resources • Accountable, Transparent and Participatory Governance • Reduced Vulnerability to Natural Disasters 	<ul style="list-style-type: none"> • 2006 - 2010 	<ul style="list-style-type: none"> • One Plan 2: Government has agreed to a rewording of the original 5 Outcomes to reflect the mandates of the incoming UN Agencies including IFAD, and the clusters of Outputs and Results under each Outcome are amended to reflect their programmatic contributions. IFAD is a member of the inter-agency Working Group on M&E (MEWG) is established to develop a Monitoring and Evaluation Framework (MEF) for the One Plan, which can measure the results from the One Plan towards a more effective, coherent and efficient UN. The SOs of this COSOP is reflected in the One Plan-2. • One Leader: the Resident Coordinator has the authority to give guidance on One Plan; is the ultimate decision maker on the allocation of funds from One Plan Fund; acts as One Voice on behalf of UNCT as appropriate; RC and UNCT members would provide reciprocal feedback on performance. • One Set of Management Practices: The second draft of the Harmonized Programme and Project Management Guidelines (HPPMG) consists of a narrative and a set of standard templates, samples, preparation guidelines and key reference documents. IFAD would adopt the management practices where appropriate, e.g. grant financed activities.
SIDA (Sweden)	<ul style="list-style-type: none"> • Social development (health, education, gender equality, access to social services) 	<ul style="list-style-type: none"> • 2004 - 2008 	<ul style="list-style-type: none"> • Provincial platform building for partnership and policy dialogue: Sweden will support capacity building at the local levels of participatory planning and implementation of bottom up decision making processes through Chia Se, which

Agency	Priority sectors and areas of focus	Period of current country strategy	Complementarity/Synergy Potential
	<ul style="list-style-type: none"> • Promoting Viet Nam's capacity to reduce poverty on a long-term and environmentally sustainable basis • Promoting openness and a development towards democracy and increased respect for human rights <p>Subgoals</p> <ul style="list-style-type: none"> • To promote an equitable pro-poor and sustainable use of natural resources based on local initiatives • To promote a professional, transparent, accountable service-oriented and non-discriminatory public administration • To contribute to increased respect for human rights and democratic access for poor people, with a special focus on development of the rule law that ensure predictability, equality, non-discrimination and protection against abuse. • To work to promote the right to adequate health care for all people including improved access to health services for the poor • To work to promote pro-poor growth based on a dynamic private sector and open trade relations 		<p>has done excellent work in the areas that it works. Sweden and IFAD are in the same provinces, it is possible to support Provincial level reforms for public administration, the regulatory framework and public financial management.</p> <ul style="list-style-type: none"> • Sustainable use of natural resources: Environmental management and climate change is coming up on the agenda of both Sweden and IFAD; increased dialogue needs to take place with the Government in a concerted fashion. • Gender: IFAD will be developing a cadre of resource persons to call upon for gender related matters in the country, as for Sweden, gender is a crosscutting issue, mainstreamed in all sectors, we could try to share the capacity that is built.

Key file 4: Target group identification, priority issues and potential response

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	Support from Other Initiatives	COSOP Response
Market participant small holder farmers	<ul style="list-style-type: none"> • Low yield and low productivity • Vulnerability to natural disasters, calamity, Loss of crops • Market fluctuations • Difficulty in transportation to market • Reliance on traders • Lack of access to credit • Weak position of farmers putting them at disadvantage in negotiations with buyers 	<ul style="list-style-type: none"> • Migration • Credit from relatives and moneylenders, mortgage land • Livestock activities • Small businesses 	<ul style="list-style-type: none"> • Improved practices for cropping, husbandry • Agricultural diversification • Value addition to production • Access to markets • Small business promotion • Savings and credit • Physical infrastructure 	<p>Program 120. This program aims to encourage investment in production and job creation through the provision of subsidised loans to households for training and development of SMEs.</p>	<ul style="list-style-type: none"> • Integration with investments by private enterprises • Smallholder farmers are target group for value chain development • Appropriate savings and credit schemes would be developed for the target group • The target group would benefit from improved essential services (e.g. clean water and health care) • Microfinance schemes
Subsistence farmers in upland areas	<ul style="list-style-type: none"> • Difficult conditions for transportation and telecommunication' • Poor market access • Poor access to services including education, healthcare, clean water, and information • Lack of access to credit • Lack of appropriate technology for steep gradient slopes and fragile soil • Standardized development interventions applied in diverse geological and cultural conditions • Low availability of good farming land and other and productive assets • Dependency on the environment and natural resources 	<ul style="list-style-type: none"> • Migration /Resettlement • Subsistence farming and livestock • Make-do with existing farming system • Transfer land rights to better-off households in exchange for financial compensation • Move closer to the watersheds, leading to more conversion to forest into swidden fields • Collecting some forest products, distilling alcohol, charcoal and handicraft • Borrow from moneylenders who apply unfair repayment conditions • When food is severely scarce, children are prioritized 	<ul style="list-style-type: none"> • Food security for the poor and most vulnerable households • Improved access to markets and vocational training opportunities • Development of grass-roots institutions with capacity to guide the development process; • Strong savings and credit groups and the establishment of effective linkages with the formal banking sector • Improved access to and management of forest resources to generate income on a sustainable basis • Integration with emerging value chain and business enterprises 	<p>Program 135. Program 135 aims to improve infrastructure, generate income and employment, and build local administrative capacity in identified poorest communes in remote and upland areas.</p> <p>Programme 133: Government's Hunger Eradication and Poverty Reduction (HEPR) has the following measures:</p> <ul style="list-style-type: none"> • Access to land and agricultural production support for the poor. • Micro credit for the poor • Investing in rural infrastructure • Vocational training and technology transfer for the poor. • Access of the poor to basic health and education. 	<ul style="list-style-type: none"> • Subsistence farmers access markets, capitalising on niches/ opportunities • Expanding the capabilities of subsistence farmers and the vulnerable through self-help, asset accumulation, and acquisition of new skills and technologies • Reducing vulnerability through productive safety nets • The target group would benefit from improved essential services (e.g. clean water and health care)

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	Support from Other Initiatives	COSOP Response
	<ul style="list-style-type: none"> Reduced access to forest resources Vulnerability to natural shocks, loss of livestock due to disease and weather shocks Few economically active household members Indebtedness Low caloric intake coupled with increased incidences of disease. Illness 			<p>Program 327/661 - Five Million Hectare Reforestation Program (5MHRP). This program seeks to create rural employment through reforestation activities, and to increase the protection of key watershed areas through the establishment of forest protection contracts under which individual households are contracted to protect allocated areas of protection forest.</p>	
Unskilled and Waged Labour	<ul style="list-style-type: none"> No land or limited productive land Vulnerability to natural disasters Little access to credit Few economically active household members Seasonal underemployment Limited income from seasonal labour Unskilled workers (resident and migrant) employed without contracts. Migrants last to arrive in an area where majority of productive land had already been allocated to local residents Indebtedness Illness in the family 	<ul style="list-style-type: none"> Seasonal labour and waged employment in uncertain conditions Debts with moneylenders who apply unfair repayment conditions 	<ul style="list-style-type: none"> Creation of stable employment Information of employment opportunities Better skills to have better paid job for more sustainable livelihoods Strong savings and credit groups and the establishment of effective linkages with the formal banking sector 	<p>Lending for the Poor. Viet Nam Bank for Social Policy provides subsidised loans to poor households for productive activities.</p>	<ul style="list-style-type: none"> Landless and waged labour benefit from employment on farms and rural and peri-urban enterprises The target group would benefit from employment on labour intensive rural infrastructure works Improved access to employment and vocational training opportunities Appropriate savings and credit schemes would be developed for the target group
Ethnic Minorities	<ul style="list-style-type: none"> Tend to live in geographically isolated in areas (roughly 75% live in upland mountainous areas) with difficult conditions for transportation and telecommunication. 	<ul style="list-style-type: none"> Have many children Migration Assimilation with Kinh society 	<ul style="list-style-type: none"> Literacy and numeracy 	<p>Program 132. Program 132 provides additional agricultural land to ethnic minorities through reclamation of paddy land, purchase by government of state enterprise-owned land and subsequent redistribution to needy households, and reallocation of under-utilized land previously allocated to SOEs.</p>	<ul style="list-style-type: none"> Literacy programmes to allow ethnic minorities to understand the content of legislation, and negotiate effectively with government structures and representatives.
	<ul style="list-style-type: none"> Limited participation in government structures and local politics 			<p>Program 154. This program provides housing support to ethnic minority communities in the form of</p>	

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	Support from Other Initiatives	COSOP Response
	<ul style="list-style-type: none"> Forestland allocation not reflective of indigenous land use patterns and farming systems 			<p>concessional loans, channelled mainly through SPB, for new house construction or improvement.</p> <p>Other Ethnic Minority Support Programs. A number of other programs are managed by CEM to provide support specifically to poor ethnic minority households, as follows:</p> <ul style="list-style-type: none"> free distribution to disadvantaged households of items such as iodized salt, kerosene, fabric, medicines for treatment of malaria and diarrhoea, school textbooks and notebooks, and school fee exemptions; provision of price subsidies to service providers (especially to cover transport costs to remote areas) and price-support for products marketed by disadvantaged ethnic minority communities; production support, including provision of basic production tools, seed, fertiliser, pesticides, and training; extension of the public broadcasting network to ethnic minority areas. 	

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	Support from Other Initiatives	COSOP Response
Women	<ul style="list-style-type: none"> Inequity in access to productive resources/agricultural inputs (e.g. technology, extension services) Gender biases in rights and entitlements: Land Use Certificates (LUCs) are in many cases, not issued with jointly with husband and wife or the woman's name in the case of women headed households. Poor access to credit Lower participation in informal education, vocational and job training and agricultural extension Weaker health status Disparities between males and females in power: maternal deaths due to abortion 	<ul style="list-style-type: none"> Subsistence farming and livestock Seasonal labour and waged employment in uncertain conditions Gender-gap in access to decision-making positions in local government Women are often in unskilled labour positions and lower incomes 	<ul style="list-style-type: none"> Access to productive resources for women Livelihood improvement activities through training and credit support Better labour opportunities Improving accessibility and affordability of essential services (e.g. clean water and health care; kindergartens) Empowering women through participation in grassroots decision making. Physical infrastructure that are gender-responsive such as farm-to-market roads that reduce travel time of women Increasing awareness of ethnic minorities of the importance of girls' education and health 	<ul style="list-style-type: none"> SEDP refers to entering names of both husband and wife in the LUCs and to increase women's roles in local decision making. Viet Nam Women's Union and the National Committee for the Advancement of Women Law on Gender Equality Directive No. 27/2004/CT-TTg promotes the Advancement of Women in all ministries, governmental agencies and the Provincial People's Committees. SEDP integrates gender equality indicators into areas such as agriculture, employment, environmental management, health and education 	<ul style="list-style-type: none"> Participatory development, improving participation of women in planning, programming and monitoring of development projects in rural areas Investment in human capital through equal access to job skills, agricultural extension, and market opportunities etc Physical Investments that are gender-responsive Gender-disaggregated poverty data Literacy training
Women in Uplands	<ul style="list-style-type: none"> All the above mentioned issues compounded by remoteness, e.g. services more limited, including schools, hospitals 				
Ethnic Minority Women	All the above-mentioned, compounded by lower literacy rates and lower enrolment rate of ethnic girls in schools				

