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Investing in rural people

## **President's report**

### **Proposed loan to the Socialist Republic of Viet Nam for the Commodity-Oriented Poverty Reduction Programme in Ha Giang Province**

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

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**For: Approval**

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## **Abbreviations and acronyms**

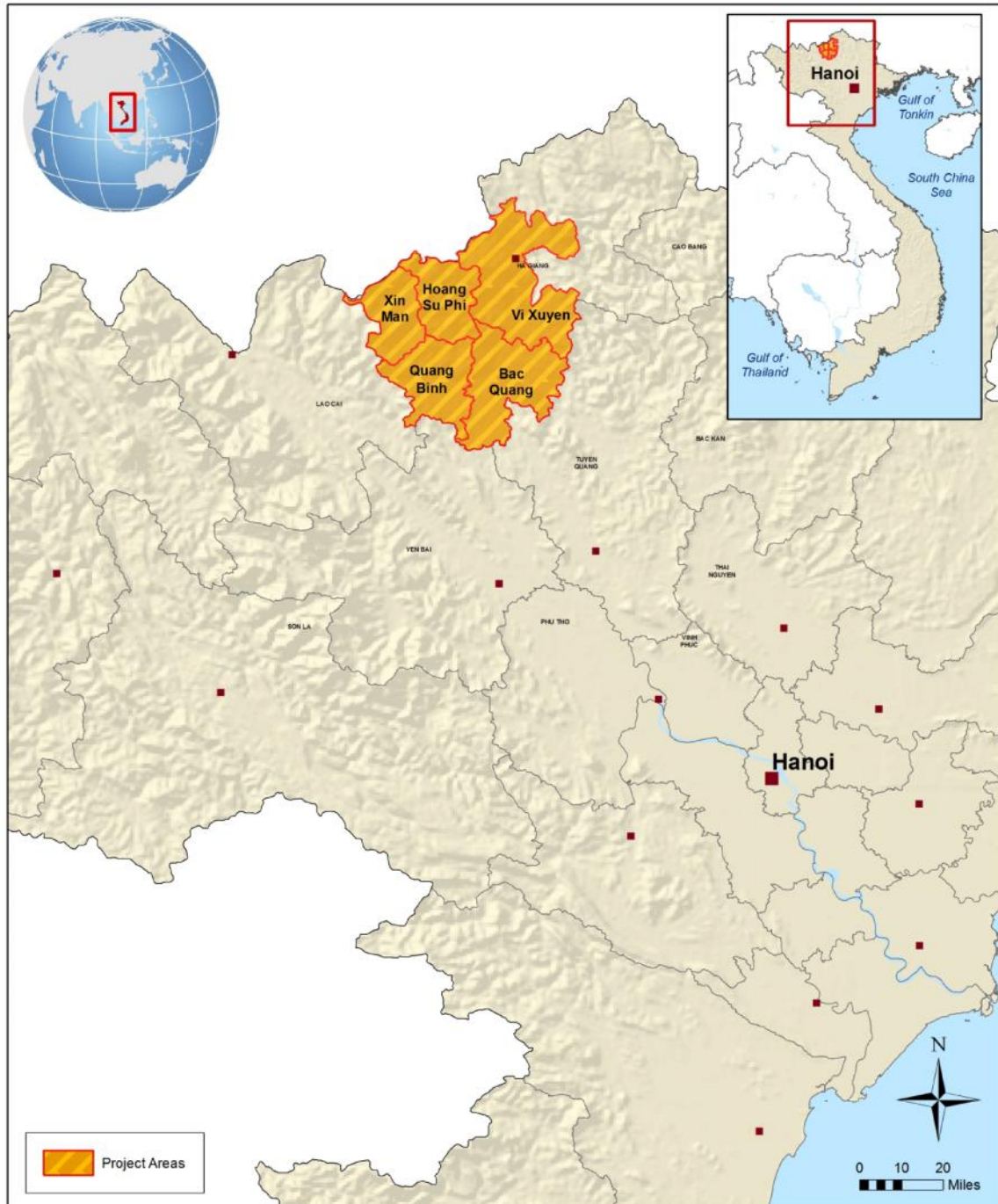
CIG	common interest group
COSOP	country strategic opportunities programme
CPRP	Commodity-Oriented Poverty Reduction Programme
M&E	monitoring and evaluation
NTP-NRD	National Target Programme on New Rural Development
NTP-RCC	National Target Programme on Response to Climate Change
PCU	programme coordination unit
PPC	Provincial People's Committee

## Map of the programme area

### Socialist Republic of Viet Nam

#### Ha Giang: Commodity-oriented Poverty Reduction Programme

Design report



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

Map compiled by IFAD | 28-05-2014

## Socialist Republic of Viet Nam

### Commodity-oriented Poverty Reduction Programme in Ha Giang Province Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	Ministry of Finance
<b>Executing agency:</b>	Provincial People's Committee of Ha Giang
<b>Total programme cost:</b>	US\$33.7 million
<b>Amount of IFAD loan:</b>	SDR 6.54 million (equivalent to approximately US\$10 million)
<b>Financing gap:</b>	Approximately US\$10 million financing gap to be covered by next performance-based allocation system (PBAS) cycle subject to availability of funds and Executive Board approval
<b>Terms of IFAD loan:</b>	40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum
<b>Contribution of borrower:</b>	US\$9.49 million for the entire financing envelope
<b>Contribution of beneficiaries:</b>	US\$4.22 million for the entire financing envelope
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD

## Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed loan to the Socialist Republic of Viet Nam for the Commodity-Oriented Poverty Reduction Programme in Ha Giang Province, as contained in paragraph 41.

# Proposed loan to the Socialist Republic of Viet Nam for the Commodity-Oriented Poverty Reduction Programme in Ha Giang Province

## I. Strategic context and rationale

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

1. Since the introduction of a comprehensive set of economic reforms known as *Đổi Mới* (renovation) in 1986, Viet Nam's economy has sustained strong economic growth. Over the last 20 years, GDP growth has averaged 7.2 per cent per annum, resulting in rapid poverty reduction. The current poverty rate is roughly 21 per cent. As a result of this growth, nearly 30 million people have been lifted out of poverty since the 1990s. These achievements have been accompanied by structural shifts in the economy with greater GDP contributions from industry and construction and declining contributions from agriculture. In 1990, agriculture contributed more than 40 per cent of GDP but by 2011, the figure had dropped to roughly 20 per cent. The proportion of the labour force engaged in agriculture also shrank from more than 80 per cent in the 1990s to less than 50 per cent in 2012.
2. Notwithstanding the economic transition towards industrialization taking place, agriculture continues to play an important role in maintaining Viet Nam's economic stability. The agricultural and rural sectors have, in recent years, demonstrated solid annual growth of approximately 4.5 per cent due to liberalization and private-sector engagement. The development of the rural economy, however, is still comparatively slow and not sustainable in many areas due to inadequate linkages to markets, limited access to rural finance and the impact of climate change.
3. Poverty in rural areas remains a chronic problem that disproportionately affects ethnic minority communities. It is concentrated in the upland areas of the north-east and north-west mountains, the central coastal region, and parts of the central highlands. While economic development has improved living standards in rural areas, it has also brought income inequity and environmental degradation. Urbanization and industrialization often deprive poor rural people of land access and leave behind unskilled labourers and unemployed youth.
4. The average income per capita in rural areas is less than 50 per cent of that in urban areas, and the rural poverty rate is nearly three times the urban rate. Many rural households are not considered poor but maintain an income level just above the poverty line (the "near poor" or "transient poor"). With a dependence on natural resource gathering, subsistence-level agricultural production and little-to-no savings or state support, the near poor are vulnerable to unexpected life events and climate shocks. Consequently, these events are increasingly pushing the transient poor below the poverty line for longer periods. People living in rural areas spend roughly 90 per cent of their income on basic living costs. They obtain most of their income from agriculture, forestry and aquaculture production, and from wages derived from unskilled manual labour. The province of Ha Giang is among the poorest in Viet Nam, with 30 per cent of households classified as poor and 21 per cent as near poor.

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

5. The Commodity-Oriented Poverty Reduction Programme (CPRP) in Ha Giang Province was outlined during the development of the Viet Nam country strategic opportunities programme (COSOP) 2013-2018, and was included in the pipeline of projects that received government approval. Financing for the CPRP currently includes an IFAD loan of US\$10 million and a financing gap of US\$10 million to be covered using subsequent PBAS resources when and if available. A rigorous process of consultation, analysis and participatory design was undertaken with provincial authorities from end-2012 to 2014 to identify change issues and areas of intervention. This included extensive consultation with local communities, relevant national government agencies, private-sector entities, civil-society organizations and bilateral and multilateral development cooperation partners.
6. The proposed programme is fully aligned with the Government's socio-economic development strategy, National Target Programme on New Rural Development (NTP-NRD), and the National Target Programme on Response to Climate Change (NTP-RCC). It is designed to promote the strategic objectives of the current COSOP which are to: (i) enable poor rural provinces to carry out market-led pro-poor rural development; (ii) improve access of poor rural people – particularly women – to commodity and labour markets; and (iii) enhance the capacity of poor rural households to adapt to climate change.
7. The CPRP builds on the IFAD-financed Decentralized Programme for Poverty Reduction in Ha Giang and Quang Binh Provinces (DPPR), which ended in 2011. The DPPR was rated as "successful" and the districts targeted now receive significant ongoing development support through government NTP-NRD funding. Programme successes included a sharp drop in household poverty levels, supported by the adoption of broad strategies for improved productivity; the mainstreaming of a comprehensive decentralization and community empowerment strategy; and enhanced agricultural production and market access resulting from infrastructure development.
8. Based on these successes, the Ha Giang Provincial People's Committee will focus future poverty reduction efforts on the promotion of market-oriented production, focusing on high-value crops and animal production to serve local demand and export purposes. In addition, the province is seeking to further intensify linkages between "growth clusters" (i.e. communes with high potential for economic growth) and poor upland areas.
9. Numerous constraints to market-led growth remain in Ha Giang in terms of inadequate capacity for market-oriented development and investment planning, poor agribusiness and risk management skills, lack of access to finance and inadequate rural infrastructure. In Ha Giang, those costs and risks are amplified by the effects of climate variability and regular incidence of extreme weather events, which cause increased flooding, erosion, crop damage and unseasonable drought. The CPRP is designed to address the urgent need to alleviate the impact of these factors and the constraints on market-led growth, to enable profitable agricultural value chains to be fully and sustainably developed.
10. Innovations related to market-oriented poverty reduction have been successfully piloted in various IFAD-supported projects, including in Ha Giang. The CPRP will scale up such innovations through the: (i) expansion of private-sector investment in production and value addition in profitable commodity chains; (ii) institutional strengthening, training and capacity-building of existing line agencies and local authorities; (iii) integration of participatory bottom-up planning, budgeting, implementation and governance of CPRP- and NTP-NRD-supported investments into regular government processes at commune, district and provincial levels; (iv) broad-based reform for private-sector development policy to ensure increased

competitiveness and the expansion of rural household incomes and asset-generating opportunities, particularly for poor people. The Government is providing substantial cofinancing for CPRP through the NTP-NRD programme, indicating a strong sense of commitment and ownership.

## II. Programme description

### A. Programme area and target group

11. **Programme area.** The programme will be implemented in Ha Giang Province in the far north-west corner of Viet Nam. Thirty communes have been identified based on their production/processing potential, access to rural infrastructure and markets and because they form the hubs of nascent rural industries (tea, timber, medicinal herbs and spices, livestock) in Ha Giang whose commodity chains reach into remote upland communities. Additional selection criteria identified through participatory workshops include poverty rates, vulnerability to natural disasters and commitment of leadership. Ethnic minorities form 59 per cent of the total population in the programme area.
12. **Target population.** The target group will include: (i) rural poor households with land and labour resources, including household enterprises; (ii) unskilled employed rural people; (iii) rural people with business acumen but lacking productive land; and (iv) key farmers who have the skills to promote commercial agricultural production. Woman-headed and ethnic minority households will be prioritized among the aforementioned target group.

### B. Programme development objective

13. The goal of the programme is to sustainably improve the incomes and reduce the vulnerability of rural poor households in targeted Ha Giang communes. The development objective is to ensure that targeted private agricultural enterprises and farm households collaborate in a new provincial rural economy that is profitable and sustainably pro-poor, climate-smart and market-oriented.

### C. Components/outcome

14. The programme has two main components as well as a management component: Planning for sustainable market-led development and building pro-poor commodity investments.
15. **Component 1: Planning for sustainable market-led development.** The component will seek to ensure that provincial socio-economic development planning (SEDP) is holistic, participatory, climate-smart and market-oriented. It consists of three subcomponents:
  - (i) **Institutionalization of commodity-based investment planning.** This subcomponent will focus on the provision of theoretical and case-based training through international technical assistance to capacitate the Department of Agriculture and Rural Development to conduct financial and economic analysis of commodity and associated value chains in Ha Giang. This will result in the development of strategic investment plans with associated value chains which will be integrated into planning processes at various levels in the province.
  - (ii) **Implementation of market-oriented results-based planning.** The subcomponent, which will be spearheaded by the provincial Department of Planning and Investment, will include training key provincial stakeholders at commune and district levels on key market economy principles as well as result-based planning and monitoring. On a pilot basis in five communes, activities under this subcomponent will also include support for the implementation of community-based climate adaptation planning as dictated by national legislation.



- (iii) **Testing and development of climate-smart technology.** The programme will support the establishment of an interdepartmental technical advisory group to coordinate the implementation of an adaptive research programme that will: (a) identify climate change adaptive needs and evaluate adaptive technologies; (b) analyse agricultural, livestock and forestry systems and develop financial models; (c) plan a climate-smart adaptive research programme, including the testing and promotion of new forage technologies in Ha Giang farming systems; and (d) review and publicize results.
16. **Component 2: Building pro-poor commodity investments.** The second component aims to ensure increased public and private investment in sustainable, profitable commodity production and value addition. It comprises three subcomponents:
- (i) **Cofinancing of community development.** This subcomponent includes two community cofinanced activities: (a) community infrastructure development. Public infrastructure investment grants will be available to enable communes to invest in infrastructure that provides public benefits essential to targeted commodity chain development and/or climate change or disaster proofing; and (b) establishment of common interest groups (CIGs) – for instance of eligible farmers – and provision of cofinancing on a competitive basis for the development of innovative technologies, climate adaptation and market chain linkages.
- (ii) **Rural financial services.** This will include support and cofinancing to establish and provide capital for women’s saving and credit groups. Provision will be made for a comprehensive support package to the Ha Giang Women’s Union for the establishment of a women’s development support fund, and eventually a microfinance institution registered with the State Bank of Viet Nam. In order to leverage additional capital for agricultural commodity chains, the programme will also support provincial agro-finance workshops to bring key local and regional financiers, agro-enterprises, donors and producers’ representatives together and to share information on various financing options for commodity chain participants in the province. Lastly, to improve household access to credit from financial institutions, the CPRP will – on a cost-sharing basis with an existing government programme – cofinance the issuance of forest land certification to poor and near-poor households.
- (iii) **Public–private collaboration.** In line with recent government policies this subcomponent will, on a competitive basis, provide cofinancing through public-private collaboration for enterprises, rural business households or cooperatives to generate employment and market opportunities among rural households, with particular attention to poor and woman-headed households in the programme area. Through the activities carried out under component 1, the programme will identify commodities that have investment potential and comply with the Ha Giang provincial planning framework. The programme will also support enterprise staff training and technical advisory services for farmer suppliers on a cost-sharing basis.

### III. Programme implementation

#### A. Approach

17. The CPRP will be implemented over a five-year period, from 2015 to 2020. Its implementing arrangements will be similar to those of the DPPR programme in Ha Giang Province. However, in the case of the CPRP, implementation will be in the hands of responsible provincial departments to a much larger extent, and will be supported by the programme coordination unit (PCU). Added emphasis will be

placed on decentralization of resources to commune and village levels and private-sector involvement.

## **B. Organizational framework**

18. The CPRP will be implemented through the Provincial People's Committee (PPC) of Ha Giang, which will be responsible for its execution. The PPC will then establish a programme steering committee that will, with PCU support, coordinate and implement the programme. The programme steering committee and the PCU will assist the PPC in mobilizing government agencies, mass organizations, research institutes, the private sector and communities at all levels to ensure achievement of the programme objectives.

## **C. Planning, monitoring and evaluation, and learning and knowledge management**

19. **Planning, monitoring and evaluation.** The M&E system will monitor performance and assess the impact of the activities. Monitoring will focus on activities/inputs, outputs, outcomes, performance and risks while evaluation will assess the relevance, efficiency, effectiveness and impact on poverty reduction, business growth and environment, empowerment and partnership, sustainability, lessons learned and knowledge uptake. The M&E system will cover both the operational and the financial aspects of the programme. Ha Giang Province has solid experience in M&E systems as a result of previous projects. As with the previous programme, the annual workplan and budget will be the key planning document for the programme and will be harmonized with the SEDP cycle.
20. **Learning and knowledge management.** Two approaches will be taken: (i) a knowledge management module to support learning within the programme and with other interventions; and (ii) support for a broader knowledge management agenda aimed at informing government decision-makers and influencing policy. Concerning policy development, the opinion of a single province, although important, is unlikely to influence national policy in areas such as participatory planning, public-private collaboration and microfinance development. The collective knowledge of IFAD project experience in these fields in Viet Nam is substantial. The IFAD country office will play a role in collating and evaluating programme outcomes and shape policy recommendations that can be carried forward to the national level.

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

21. **Financial management.** The PCU will be responsible and accountable to the Government and IFAD for the proper use of funds apportioned to it in line with the respective legal agreements, subsidiary agreements for financial institutions and contractual arrangements for service providers. The programme's financial management arrangements will ensure that funds are used for the intended purpose in an efficient and cost-effective manner through internal controls and capacity-building at all levels. An existing computerized accounting system will be used for bookkeeping and reporting. The accounting system will be used to provide detailed financial statements of the operations, resources and expenditures related to the programme for each fiscal year prepared in accordance with internationally recognized accounting standards and procedures acceptable to IFAD, and deliver such financial statements to IFAD on a timely basis. The IFAD financial management assessment rated the fiduciary risk as medium. However, the province has quite extensive experience in managing externally financed projects including the previous one financed by IFAD, with generally good outcomes and accountability frameworks.
22. **Flow of funds.** IFAD will make funds available to the Government of Viet Nam under the terms and conditions of the financing agreement. Programme funds will flow from IFAD via a single designated account established in a commercial bank

acceptable to the IFAD. The designated account at the Ministry of Finance will be administered following imprest fund arrangements. Government funds will flow to a separate account. The programme's financial management arrangements will ensure a robust flow of reliable information on programme activities that facilitates accountability, transparency and disclosure.

23. **Procurement.** Procurement of goods, works and consulting services financed by IFAD under CPRP will be carried out in compliance with the IFAD procurement guidelines. National procurement procedures, processes and regulations will be applied to the extent that they are consistent with those guidelines.
24. **Internal control and external audit.** Internal control systems at the PCU level will be established. External audit will be carried out in compliance with the International Standards on Auditing and the IFAD Guidelines on Project Audits. Independent external auditors will be appointed on a timely basis. Audit reports will be submitted to IFAD within six months of the end of the relevant fiscal year.
25. **Governance.** All major cofinancing allocations will be endorsed by the programme steering committee and approved by the PPC and, above certain thresholds, will be subject to no objection from IFAD. Cofinancing at the commune level will be the result of an open and equitable SEDP-based decision-making process that includes a dispute resolution mechanism. The IFAD country office capacity for project oversight was strengthened with the recruitment of a local staff member in mid-2013. The IFAD country office is embarking on the development of an improved governance framework based on experiences by other international financial institutions and development cooperation partners.

#### **E. Supervision**

26. The programme will be directly supervised by IFAD through the country office, in accordance with existing arrangements in Viet Nam.

### **IV. Programme costs, financing, benefits**

#### **A. Programme costs**

27. The total programme cost is estimated at US\$33.7 million. Indicative component costs by year are detailed in table 1. Indicative programme costs by expenditure category and financier are provided in table 2.

#### **B. Programme financing**

28. At this stage, it is foreseen that the programme will be financed by: (i) an IFAD loan of approximately US\$10 million (29.7 per cent of total programme cost), with a financing gap of US\$10 million to be addressed at a later stage subject to Executive Board approval (29.7 per cent of total cost); (ii) a government contribution of approximately US\$9.49 million (28.2 per cent); and (iii) a beneficiary contribution of approximately US\$4.22 million (12.5 per cent) (see table 2).

Table 1

**Indicative programme costs by component and financier\***  
(Thousands of United States dollars)

<i>Component</i>	<i>IFAD</i>	<i>IFAD</i>	<i>Beneficiaries</i>	<i>Borrower/ counterpart</i>	<i>Total</i>
	<i>Loan 1</i>	<i>Loan 2</i>			
	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>
1. Planning for sustainable market-led development					
i. Institutionalization of commodity-based investment planning	212.1	43.2	-	10.0	265.3
ii. Implementation of market-oriented results-based planning	2 452.5	1 284.0	-	1 335.7	5 072.2
iii. Testing and development of climate-smart technology	596.8	768.2	-	60.6	1 425.5
Subtotal: Planning for sustainable, market-led development established	3 261.4	2 095.4	-	1 406.3	6 763.0
2. Building pro-poor commodity investment					
i. Cofinancing of community development	3 849.1	4 357.6	2 384.4	3 521.4	14 112.6
ii. Rural financial services	1 424.3	1 315.9	-	2 854.2	5 594.4
iii. Public-private collaboration	776.7	1 540.5	1 836.0	-	4 153.2
Subtotal: Building pro-poor commodity investment	6 050.1	7 214.1	4 220.4	6 375.6	23 860.2
3. Programme coordination	688.4	690.8	-	1 709.8	3 089.0
<b>Total</b>	<b>9 999.9</b>	<b>10 000.3</b>	<b>4 220.4</b>	<b>9 491.8</b>	<b>33 712.3</b>

\* IFAD loan 2: Subject to availability and the approval of the Executive Board.

Table 2

**Indicative programme costs by expenditure category and financier\***  
(Thousands of United States dollars)

<i>Expenditure Category</i>	<i>IFAD Loan 1</i>		<i>IFAD Loan 2</i>		<i>Beneficiaries</i>		<i>Borrower/ counterpart</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	
A. Civil works	2 430.0	26.7	2 430.0	26.7	810.0	8.9	3 431.0	37.7	9 101.0
Subtotal Civil works	2 430.0	26.7	2 430.0	26.7	810.0	8.9	3 431.0	37.7	9 101.0
B. Equipment and goods	244.6	72.1	60.8	17.9	-	-	33.9	10.0	339.3
C. Vehicles	181.8	50.0	-	-	-	-	181.8	50.0	363.6
D. Technical assistance	1 371.9	55.8	1 087.2	44.2	-	-	-	-	2 459.1
E. Training	1 889.7	44.1	2 390.7	55.9	-	-	-	-	4 280.5
F. Research and studies	818.3	18.1	843.0	18.7	-	-	2 851.3	63.1	4 512.5
G. Women's savings and credit groups financing for onlending	464.0	66.7	232.0	33.3	-	-	-	-	696.0
H. Public-private collaboration grants	1 101.1	16.3	2 237.3	33.2	3 410.4	50.5	-	-	6 748.8
I. Public infrastructure investment grants	-	-	-	-	-	-	-	-	-
J. Recurrent costs	1 498.5	43.7	719.2	21.0	-	-	1 211.8	35.4	3 429.5
K. Salaries	-	-	-	-	-	-	1 781.9	-	1 781.9
<b>Total</b>	<b>9 999.9</b>	<b>29.7</b>	<b>10 000.3</b>	<b>29.7</b>	<b>4 220.4</b>	<b>12.5</b>	<b>9 491.8</b>	<b>28.2</b>	<b>33 712.3</b>

\* The final disbursement categories will be decided during negotiations based on IFAD's procedures. A maximum of five cost categories will be included for reasons of efficiency.

## C. Summary benefit and economic analysis

29. The economic analysis indicates that the CPRP is robust in economic terms. The analysis results in an internal rate of return (IRR) of 16.4 per cent and a net present value of approximately US\$7.17 million calculated over 20 years, with the benefit stream reflecting quantifiable results that emanate from programme activities. The sensitivity analysis reveals solid returns. The switching values show that the programme would be economically viable even if benefits decreased by 25 per cent and investment costs increased by 33 per cent. A one-year and a two-year delay in programme benefits result in an IRR of 14 per cent and 12 per cent respectively.
30. The main anticipated benefits from CPRP are: (i) increased crop, forest and livestock productivity and production, resulting from improved access to – and

application of – better and more affordable inputs and climate-smart agriculture technologies; (ii) increased proportion of marketed farm produce, resulting from improved market linkages and outlets; (iii) reduced losses during production, processing and transportation of produce through innovative technology and improved rural infrastructure; (iv) enhanced value addition along the value chain and better product quality resulting in higher producer prices; (v) enhanced access to longer-term credit and to cofinancing; (vi) increased employment opportunities for hired or family labour stemming from both on-farm and off-farm activities; and (vii) increased tax revenues.

31. The programme is expected to provide significant direct benefits for at least 42,000 poor rural people in 10,000 poor and near-poor households. These include 4,500 CIG members, 5,220 savings and credit group members as well as households that will benefit from public-private collaboration investments, enterprise-based vocational training and farm-based extension provided by the programme. Furthermore, around 85,000 poor people in 20,400 households will benefit from community infrastructure investments.

#### **D. Sustainability**

32. The programme is focused on enhancing private-sector activity and competitiveness in the subsectors targeted for investment. The most important determinant of sustainability of such investments and, by extension, generation of expected benefits, is their continued profitability. The approach to be adopted provides strong grounds for the expectation that a large majority of the investments will endure. The main tools used by the programme to enhance prospects of private business sustainability are: (i) capacity-building of government staff, farmers and private rural enterprise actors to analyse and prioritize investment choices; (ii) rigorous scrutiny of business proposals by CPRP and by collaborating financial institutions; and (iii) commitment of a substantial proportion of investment from the client's own financial resources.

#### **E. Risk identification and mitigation**

33. The main risk for the overall goal of the programme relates to external shocks to the macro economy. This risk is ever present in a relatively open economy such as that of Viet Nam, particularly with the high proportion of income being derived from export revenue. Sound macro-economic policies, including market-determined exchange rates are the main means of mitigation of this risk. The risks to the programme's objectives include elite capture of benefits targeted at poor inhabitants. Mitigating measures include: (i) use of specially trained district staff to assist at commune level in terms of investment planning; (ii) careful screening of all public investments proposed through the commune planning framework; (iii) a closely mentored, inclusive approach to participatory planning of development; and (iv) rigorous screening and approval process for private investment proposals to ensure that there are strong backward linkages to the primary target group.

### **V. Corporate considerations**

#### **A. Compliance with IFAD policies**

34. The design of the CPRP is guided by the IFAD policies and strategies on: targeting, gender, indigenous peoples, environmental and natural resource management, and private-sector engagement. In terms of environmental impact, the majority of activities fall under Category C, while a limited number are classified under Category B. As noted above, CPRP is fully in line with 2012-2017 COSOP, in particular with respect to the focus on market-led innovations for smallholder agriculture; pilot activities such as farmers' group formation and empowerment and decentralized service delivery.

## **B. Alignment and harmonization**

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

## **C. Innovations and scaling up**

36. The CPRP approach will be specifically oriented towards consolidating and scaling up past successful interventions, within the strategic framework of the NTP-NRD, which, by programme end, will be implemented across Ha Giang. Innovations related to market-oriented poverty reduction have been successfully piloted in various IFAD-supported projects. In scaling up innovations, the key driver will be the private sector, supported by a more participatory and market-oriented PPC, together with their counterparts at district and commune levels. Scaling up will be achieved through: (i) expansion of private-sector investment in production and value addition in profitable commodity chains; (ii) institution strengthening, training and capacity-building of existing line agencies and local authorities; (iii) integration of participatory bottom-up planning, budgeting, implementation and governance of CPRP- and NTP-NRD-supported investments into regular government processes at commune, district and provincial levels; and (iv) broad-based reform of private-sector development policy to ensure greater competitiveness and increased rural household incomes and asset-generating opportunities, particularly for poor people.

## **D. Policy engagement**

37. As already noted above, the IFAD investments in Ha Giang Province is unlikely to influence national policy. However, the collective knowledge of IFAD's projects, including CPRP, forms the basis of the ongoing policy engagement being pursued by the country office. The important areas in this context are the public-private collaboration development framework, microfinance development and evolution of the participatory planning processes. IFAD is working in close partnership with development partners such as the World Bank and FAO in the ongoing policy dialogue with the Government on these subjects.

## **VI. Legal instruments and authority**

38. A financing agreement between the Socialist Republic of Viet Nam and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A copy of the negotiated financing agreement is attached as an annex.
39. The Socialist Republic of Viet Nam is empowered under its laws to receive financing from IFAD.
40. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the policies and criteria for IFAD financing.

## **VII. Recommendation**

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

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Socialist Republic of Viet Nam in an amount equivalent to six million five hundred and forty thousand special drawing rights (SDR 6,540,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President

## **Negotiated financing agreement: " Ha Giang: "Commodity-oriented Poverty Reduction Programme (CPRP)"**

(Negotiations concluded on 12 August 2014)

IFAD Loan Number: [click and insert number]

Programme Title: Commodity-oriented Poverty Reduction Programme (the "Programme")

The Socialist Republic of Viet Nam (the "Borrower")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

hereto hereby agree as follows:

### **Section A**

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Loan to the Borrower (the "Financing"), which the Borrower shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

### **Section B**

1. The amount of the IFAD Loan is six million five hundred and forty thousand Special Drawing Rights (6 540 000 SDR).
2. The Loan is provided on highly concessional terms as defined in Section 5.01 (a) of the General Conditions.
3. The Loan Service Payment Currency for the Loan shall be United States Dollars (USD).
4. The first day of the applicable Fiscal Year shall be 1 January.
5. The Borrower shall repay the outstanding principal amount of the IFAD Loan in 60 equal semi-annual installments of SDR 109,000 payable on each 15 June and 15 December commencing on 15 December 2024 and ending on 15 June 2054. A service charge shall also be payable on 15 June and 15 December.



6. There shall be a designated account (DA) operated by the Ministry of Finance of the Borrower in accordance with Section 4.04(d) of the General Conditions opened in a bank acceptable to the Fund, for receiving and holding the IFAD Loan proceeds in USD. The DA shall be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower and accepted by the Fund.

7. A Programme Account shall be opened and maintained by the Programme Coordination Unit (PCU) in local currency at the Provincial Treasury of the Programme Area to receive and maintain financing transferred from the DA for eligible expenditures.

8. The Borrower shall cause the Lead Implementing Agency to provide counterpart financing for the Programme in an amount of approximately nine million four hundred and ninety two thousand United States Dollars (USD 9 492 000). The counterpart funds shall be channeled into a separate account. The beneficiaries shall provide co-financing contribution in cash or in kind equivalent to approximately four million two hundred and twenty thousand United States Dollars (USD 4.22 million).

9. Procurement of goods, works and consulting services financed by the Loan shall be carried out in accordance with the provisions of the Fund's "Procurement Guidelines" approved by the Fund's Executive Board in September 2010, ("The Procurement Guidelines").

### **Section C**

1. The Borrower shall designate the Provincial People's Committee (PPC) of the Ha Giang province who shall be Lead Implementing Agency responsible for the execution of the Programme.

2. The following are designated as additional Programme Parties:

- (a) the line agencies responsible for the implementation of Programme activities such as the Department of Planning and Investment (DPI), the Department of Agriculture and Rural Development (DARD) and the Department of Natural Resource and Environment (DONRE) of the PPC;
- (b) the Women's Union (WU) of the Ha Giang Province and any other entities responsible for the implementation of the Programme, as identified in this Agreement or in the Programme Implementation Manual (PIM), or as may be agreed upon by the Borrower and the Fund.

3. The Programme Completion Date shall be the fifth anniversary of the date of entry into force of this Agreement.

### **Section D**

The Financing will be administered and the Programme supervised by the Fund.

### **Section E**

1. The following is designated as additional ground for suspension of this Agreement: The PIM referred to in paragraph 8, Section II (C) of Schedule 1 hereto, or any provision thereof, has been waived, suspended, terminated, amended or otherwise modified without the prior consent of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Programme.

2. The following are designated as additional general conditions precedent to withdrawal:
- (a) The PCU shall have been duly established;
  - (b) A draft PIM shall have been prepared by the PCU and the Fund has given its non-objection;
  - (c) The Programme Steering Committee (PSC) shall have been duly established;
  - (d) The Programme Director and Chief Financial Officer/Chief Accountant of the PCU shall have been duly appointed; and
  - (e) The DA shall have been duly opened and the authorized signatories shall have been submitted to the Fund.
3. No disbursement shall be made in respect of expenditures under the Category V (Credit, Guaranteed Funds) until the draft memorandum of understanding with the WU of the Ha Giang Province referred to in paragraph 6 (c), Section II. B of Schedule 1 hereto has been sent to the Fund and the Fund has provided its non-objection.
4. This Agreement is subject to ratification by the Borrower.
5. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

Minister for Finance  
Ministry of Finance  
of the Socialist Republic of Viet Nam  
28, Tran Hung Dao Street  
Hoan Kiem District  
Hanoi  
Socialist Republic of Viet Nam

Copy to:

Provincial People's Committee of Ha Giang Province  
Ha Giang Province  
Socialist Republic of Viet Nam

For the Fund:

The President  
International Fund for Agricultural development  
Via Paolo di Dono 44  
00142 Rome  
Italy

This Agreement, dated [click and type], has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower.

THE SOCIALIST REPUBLIC OF VIET NAM

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Authorized Representative  
[title]

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

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Kanayo F. Nwanze  
President

## Schedule 1

### **Programme Description and Implementation Arrangements**

#### **I. Programme Description**

1. *Target Population.* The Programme shall benefit rural poor households with land and labour, including household enterprises; unskilled employed rural people; rural people lacking production land and key farmers who have the skills to promote commercial agricultural production. Women and female-headed and ethnic minority households shall be prioritised for Programme investments. The Programme shall be carried out in the thirty (30) communes of the following districts of the Province of Ha Giang: Bắc Quang, Hoàng Su Phì, Quang Bình, Vị Xuyên and Xín Mần (the "Programme Area").
2. *Goal.* The Goal of the Programme is the achievement of sustainable improved income and reduced vulnerability of rural poor households in targeted Ha Giang communes.
3. *Objectives.* The objective of the Programme is to strengthen targeted private agricultural enterprises and farm households to collaborate in a profitable and sustainably pro-poor, climate adapted, market oriented new provincial rural economy.
4. *Components.* The Programme shall consist of the three following Components.

#### **4.1 Component 1 – Planning for sustainable market-led development**

The objective of this Component is to support the Provincial socio-economic development planning to become holistic, participatory, climate adapted and market oriented. It shall be achieved through the following three sub-components:

##### *Sub-component 1.1 - Commodity-based investment planning institutionalized.*

This sub-component foresees the capacity-building, through a mix of theoretical and case-based training, of the DARD to conduct financial and economic analysis of commodity and associated value-chains in the Programme Area. This may include institutional reform within DARD to ensure sustainable technical support to agro-industry value chains. This shall result in a range of PPC approved commodity investment plans for integration into the commune and district planning framework.

##### *Sub-component 1.2 - Market oriented socio-economic development planning processes supporting private sector investment at commune level implemented.*

The activities under this sub-component are as follows:

- (a) Strengthening of the public sector market economy skills through training and capacity-building of government officials. Training will also be provided on group organization and leadership, participatory planning and results based management including monitoring and evaluation;
- (b) Implementation of market-oriented socio-economic development planning (MOSEDP) through a participatory process for establishing pro-poor, market oriented commune plans. The Programme shall assist the DPI and other relevant agencies in the roll out of MOSEDP in the Programme Area and subsequently throughout the province.

- (c) Piloting of community based climate change adaptation and disaster risk management planning through a village-based program of climate vulnerability and capacity, gender and power analysis and participatory scenario development. The planning shall adapt existing methodologies to build community and institutional capacity to undertake community based climate change adaptation and disaster risk management planning in the Programme Area.

*Sub-component 1.3 - Climate adapted technology tested and developed Activities* under this sub-component include:

- (a) The implementation of an adaptive research programme that will:
  - (i) establish an end user reference/stakeholder group to identify adaptive needs and evaluate adaptive technologies, analyse agricultural, livestock and forestry systems,
  - (ii) develop financial models,
  - (iii) plan a climate-smart adaptive research program; and
  - (iv) review and publicize the results.
- (b) The development of a participatory action research processes to monitor, evaluate and promote appropriate endogenous adaptation responses practiced by farmers and test and promote, at community level, resilience building measures identified by communities.
- (c) Conduct adaptive research into the inclusion of forage production into farming systems and land stabilization activities.

#### 4.2 **Component 2 – Building pro-poor commodity investment**

The objective of this component is to increase public and private investments in sustainable, profitable commodity production and value addition. This component shall be achieved through the following three sub-components.

*Sub-component 2.1 - Community development co-financed.* This sub-component includes the following activities that will be fully integrated into the equivalent National Targeted Programme for New Rural Development(NTP-NRD):

- (a) Community infrastructure. The Programme shall co-finance public infrastructure investments that provide public good benefits essential to targeted commodity chain development and/or climate change or disaster proofing. This activity will be integrated into the NTP-NRD agriculture infrastructure investment process, the funding for which will be a government contribution to the Programme. Public good infrastructure investment schemes shall be identified and approved in accordance with selection criteria defined in the PIM.
- (b) Establishment of *common interest groups*. The Programme shall on a competitive basis and according to selection and eligibility criteria defined in the PIM, co-finance innovative investment in sustainable, climate-adapted, commodity-based production systems by eligible common interest groups of farmer members, collaborative groups or farmers' cooperatives. The Programme shall also finance farm/business management training to common

interest groups and established savings and credit groups members selected in accordance with the criteria set forth in the PIM.

*Sub-component 2.2 - Rural financial services enhanced*

The objective of this sub-component is to support the establishment and capitalization of new savings-driven women's savings credit groups in the Programme Area in accordance with the criteria defined in the PIM. Activities under this sub-component include:

- (a) The development of WU capacities through the provision of a support package to the WU for the establishment of, initially, a Women's Development Support Fund, and eventually, a microfinance institution in accordance with domestic laws.
- (b) The Programme shall support Provincial agro-finance workshops to bring key local and regional financiers, agro-enterprises, donors, and producers' representatives together to share information on various types of financing options for commodity chain participants in the province.
- (c) The Programme shall support the DONRE for the finalization of forest land red books to poor and near poor households.

*Subcomponent 2.3 - Public – Private Partnership (P-PP) implemented*

This sub-component foresees the following activities:

- (a) Establishment of a P-PP facility supported by the Programme through the provision of co-financing for the purchase of supporting services for the planned commodity chain investment in accordance with eligibility and selection criteria defined in the PIM.
- (b) The Programme will finance staff training and technical advisory services to farmer supplier on a cost sharing basis as well as business management training to existing and potential agribusiness entrepreneurs in the Programme Area.

#### 4.3 **Component 3 - Programme Management**

The Programme shall support the establishment of Programme Coordination Unit (PCU) at provincial level as well as the organization and management structure as outlined in Section II below.

### **II. Implementation Arrangements**

#### **A. Organization and Management**

##### **1. Lead Programme Agency**

The Borrower shall act through the PPC of the Ha Giang province who shall be responsible for the execution of the Programme.

##### **2. Programme Steering Committee (PSC)**

**2.1. Establishment and composition.** A PSC shall be established in the province of Ha Giang by the PPC. The PSC shall include Directors or Vice-Directors of concerned line-departments and chairpersons of WU, Farmers' Unions and Entrepreneurs Unions. It shall be chaired by the Chairman or Vice-chairman of the PPC.

2.2. **Responsibilities.** The PSC shall be responsible for the strategic management of the Programme, the approval of the PIM and annual work plan and budget as well as other decisions related to the Programme coordination, orientation and mobilization of resources. The PSC shall meet at least once a year and as often as required and the PCU Programme Director shall act as secretary of the PSC.

### 3. *Programme Coordination Unit (PCU)*

3.1. **Establishment.** A PCU shall be established in the province of Ha Giang by the PPC. The PCU shall assist the PSC in the coordination of the provincial agencies and in the management of financial resources. The PCU shall report directly to the PSC and act as an advisory body to the PPC and act as secretariat of the PSC.

3.2. **Composition.** The PCU shall include a Programme Director who shall have the authority to sign contracts and other agreements, a Deputy Director, and a Chief Financial Officer/Chief accountant. Qualified staff shall be selected according to the Borrower's applicable procedures acceptable to the Fund. Termination of the contract of the Programme Director and his/her replacement shall be subject to the Fund's no-objection.

3.3. **Responsibilities.** The PCU shall be responsible for the following tasks:

- (a) ensure coherence of the Programme approaches and strategies as well as the coordination and synergy amongst Programme parties;
- (b) mobilize resources;
- (c) the procurement and contracting for Programme activities;
- (d) financial reporting and preparation of annual work plans and budget inclusive of the procurement plan;
- (e) preparation of the Programme Implementation Manual;
- (f) Monitoring and Evaluation (M&E) system and other functions of the operational and financial management of the Programme;
- (g) management of the Public-Private Partnership Facility in accordance with the criteria defined in the PIM;
- (h) approval of the community infrastructure proposals in accordance with the criteria defined in the PIM and
- (i) knowledge-sharing and policy development interventions in collaboration with co-implementing agencies.

4. *Programme management at District, Commune and Village levels.* At the District level, the chairperson of the District People's Committee will be responsible for coordination of the Programme activities and integration with the organization structures and mandates of the line agencies and mass organizations at the district level in accordance with the criteria defined in the PIM. At Commune level the Commune's People Committee shall be accountable for the Programme implementation at the commune level and at village level, the Programme shall be implemented through Village Development Boards.

## B. Implementation of Components

### 5. *Component 1- Planning for sustainable market-led development*

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

5.2. MOSEDP activities shall be implemented at village, commune and district levels by respectively, Village Development Boards, Commune People's Committee and District People's Committee as well as and private enterprises. The Climate adapted technology sub-component shall be implemented through an inter-departmental technical advisory group established at provincial level.

### 6. *Component 2 – Building pro-poor commodity investment*

- (a) Community infrastructure investments proposals shall be selected by Village Development Boards and Communes in the Programme Area and shall be incorporated in the annual commune market-oriented socio-economic development planning with the support of the PCU, district line agencies and technical assistance if required. In accordance with the modalities described in the PIM, the PCU shall approve each proposal including the procurement method. The proposal shall be carried out through the procurement of service providers and community participation.
- (b) The establishment of common interest groups eligible for co-financing will be implemented by Commune and District level entities adequately supported by the PCU staff and in accordance with procedures outlined in the PIM. The Value Chain development Officer at District level shall support the common interest groups and be responsible for the implementation of competitive co-financing in the District.
- (c) The implementation responsibility for the establishment of new savings and credit groups, the transformation of savings credit groups into a women development support fund and social fund and the associated institutional strengthening shall rest with the WU with the support of technical assistance under the overall direction of the PCU. The PCU shall enter into a memorandum of understanding with the WU at Province level in the form specified in the PIM. The memorandum of understanding shall specify, inter alia, the channelling of Programme funds, the terms and conditions applicable to the financing operations including the access to financial support for the transformation of savings credit groups networks into registered sustainable microfinance institutions. The WU shall be responsible for the on-lending of Programme funds allocated to this activity to the new established savings and credit groups and shall manage the revolving funds resulting from these financial operations.
- (d) The Provincial Agro Finance workshops shall be organised by the PCU.



- (e) The PCU shall have the responsibility to implement the Public-Private Partnership activities in accordance with the criteria to be defined in the PIM. Each proposal shall be accompanied with an acceptable business model and financial analysis. Selected P-PC proposals shall be approved by the PSC and PPC. Investment above a certain threshold to be defined the PIM, shall be subject to no-objection by the fund. The PCU shall enter into a co-financing P-PC agreement with each eligible beneficiary in accordance with the small grant model agreement contained in the PIM. Training activities foreseen under the P-PC sub-component shall be implemented by technical experts and service providers contracted in accordance with this Agreement.

### C. Additional Implementation Arrangements

7. *Programme reviews.* The Borrower, the PPC and the Fund shall jointly conduct the following reviews: a comprehensive mid-term review during the third Programme Year and a Programme Completion Review. The Terms of Reference and time of the reviews shall be agreed by all parties.

#### 8. *Programme Implementation Manual (PIM)*

The PSC shall request the PCU to prepare a consolidated draft PIM acceptable to the Fund. The PIM may be amended or otherwise modified from time to time only with the prior consent of the Fund. The draft PIM shall include, among other things:

- (a) Terms of reference and implementation responsibilities of Programme staff, consultants and other service providers;
- (b) A model memorandum of understanding to be concluded with each Programme Party such as the WU and the Commune People's Committee which shall provide inter alia; the role and implementation responsibilities of the Programme Party, the channelling of Programme funds and the reporting of information related to the implementation of the Programme activities;
- (c) The eligibility and selection criteria for the proposals to be financed under the infrastructure investment development under sub-component 2.1 and a competitive small grants manual which shall form an integral part of the PIM;
- (d) The eligibility and selection criteria for the establishment of common interest groups under sub-component 2.1;
- (e) The eligibility and selection criteria as well as the operational modalities of the Public-Private Partnership Facility;
- (f) Programme operational, financial and procurement procedures, an accounting software for bookkeeping and reporting, participatory planning, implementation and monitoring procedures; and
- (g) M&E system and procedures.

#### 9. *Approval and Adoption*

The PSC shall cause the PCU to forward the draft PIM to the Fund for comments and non-objection. The PSC shall adopt the PIM, substantially in the form approved by the Fund, and the PSC shall promptly provide copies thereof to the Fund.

## Schedule 2

### Allocation Table

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

Category	Loan Amount Allocated (expressed in SDR)	Percentage of total expenditures
I. Works	1 430 000	100% net of taxes and government and beneficiaries contributions
II. Goods, Services and Inputs	2 660 000	100% net of taxes and government contribution
III. Credit, Guaranteed Funds	270 000	100% net of taxes
IV. Grants and Subsidies	650 000	100% net of taxes and government contribution
V. Operational costs	880 000	100% net of taxes
Unallocated	650 000	
<b>TOTAL</b>	<b>6 540 000</b>	

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

“Works” under Category I, shall mean eligible expenditures incurred related to the community infrastructure development activities under sub-component 2.1.

“Goods, Services and Inputs” under Category II, shall mean eligible expenditures incurred related to:

- (i) Red book allocation, 30% of which shall be financed by IFAD and 70% from the Government.
- (ii) Equipment materials, consultancy service, training, technical assistance and other research and studies except for land allocation, which will be financed 100% net of taxes by IFAD.
- (iii) Five (5) double-cabin (4x4) vehicles for district field programme support; two (2) four-wheel drive vehicle (one for the provincial WU and one for the PCU).

"Credit, Guaranteed Funds" under Category III, shall mean eligible expenditures incurred related to microcredit support to SCGs under sub-component 2.2 (Rural financial services enhanced).

"Grants & Subsidies" under Category IV, shall mean eligible expenditures incurred related to:

- (i) Common Interest Groups activities under sub-component 2.1. The beneficiaries' contribution will be in kind, cash or credit.
- (ii) Public Private Partnership Facility established under sub-component 2.3. IFAD co-financing up to 49% of total cost with the remaining investment which shall be contributed by the beneficiaries' business.

"Operating Costs" under Category V, shall mean eligible expenditures incurred for operating and maintenance costs in relation to the Programme such as unities, vehicle maintenance, office supplies audit fees, field allowances and transportation which will be financed by IFAD 100% net of taxes.

# Logical framework

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions
<b>Goal:</b>			
Sustainably improved income and reduced vulnerability of rural poor households in targeted Ha Giang communes.	<ul style="list-style-type: none"> <li>▪ Out of the 10,000 HH considered poor and near poor in Programme communes, 5000 HH will be lifted out of poverty (officially considered at VND 400,000/person/month) by the end of the project; (differentiated data for poor/near poor, ethnic minority &amp; women-headed households).</li> <li>▪ In Programme counties, the prevalence of stunting of children under 5 years of age falls from 35% to 24% over the project life.</li> <li>▪ Equal poverty reduction for female- and male-headed households.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Baseline, periodic and impact evaluation surveys.</li> <li>▪ Provincial statistics.</li> <li>▪ UNICEF Viet Nam Nutritional Surveillance Profiles (annual)</li> </ul>	
<b>Programme Development Objective:</b>			
Targeted private agricultural enterprises, cooperative groups and farm households collaborating profitably and sustainably in a climate adapted, market-oriented new provincial rural economy.	<ul style="list-style-type: none"> <li>▪ 10,000 poor and near poor households in targeted communes have at least 30% increase in income (inflation adjusted and disaggregated by gender and ethnicity).</li> <li>▪ Programme commune value of agricultural production raised 20% by Programme-end.</li> <li>▪ At least USD 15 million invested in profitable commodity-targeted, climate change resilient infrastructure, farming systems and enterprises in Programme communes, showing an IRR &gt; 12%.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Baseline, periodic and impact evaluation surveys.</li> <li>▪ Financial institution records.</li> <li>▪ Provincial statistics.</li> </ul>	Political stability maintained (A). Macro-economy continues to improve. Social, political and economic environments remain conducive to market-based economic. (A) Business regulatory system remains favourable.
<p><b>Component 1. Planning for sustainable, market-led development established</b></p> <p>Provincial socio-economic and commodity development planning is holistic, participatory, climate adapted and market-oriented.</p>	<ul style="list-style-type: none"> <li>▪ 70% of Ha Giang communes implementing participatory multi-year, market-oriented planning for rural development public investment.</li> <li>▪ 70% competency achieved by trainees at all levels in results-based economic and investment planning and management.</li> <li>▪ At least 10 PPC-approved commodity-based value chain Strategic Investment Plans (SIP) valued ≥USD200,000 profitably implemented (IRR ≥12%).</li> <li>▪ Locally tailored strategies for CAA and CBDRM developed &amp; under implementation at all Programme Districts/ Communes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Commune and district records.</li> <li>▪ Case study data.</li> <li>▪ Competency-based training course evaluations.</li> <li>▪ Programme M&amp;E system.</li> <li>▪ Randomised sample surveys</li> </ul>	Government introduces new law on public investment and decree on medium-term public investment planning.  Provincial governments committed to participatory market-led socio-economic development planning.
<b>Subcomponents (Outputs):</b>			
<p>1.1 Commodity-based investment planning institutionalized.</p> <p>1.2 Planning is climate adapted, market-oriented and results based.</p> <p>1.3 Climate adapted technology tested and developed.</p>	<ul style="list-style-type: none"> <li>▪ Ha Giang provincial departments (DPI and DARD ) have guidelines and tools for market-oriented SEDP planning;</li> <li>▪ Ha Giang provincial departments (DPI and DARD) have the capacity to independently train district and commune staff in market-oriented strategic planning;</li> <li>▪ TAG-managed climate adapted technology testing programme operational.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Commune, district and provincial records.</li> <li>▪ CPRP annual reports.</li> <li>▪ Case study and beneficiary survey data.</li> <li>▪ Competency-based training reports.</li> </ul>	Adequate skills available from local service providers.  VDBs, CPCs and DPCs can acquire appropriate skills to enable effective MoSEDP procedures.

<p><b>Component 2: Building pro-poor commodity investment.</b></p> <p>Increased public and private investment in sustainable commodity production and value addition.</p>	<ul style="list-style-type: none"> <li>▪ At least 80% of participating communities &amp; CIGs confirm the utility of Programme financed market-oriented commune infrastructure investments (disaggregated by gender).</li> <li>▪ At least 50% of IFAD Programme supported Common Interest Group (CIG) members linked to existing or new value chains (disaggregated by gender);</li> <li>▪ At least 70% rural household satisfaction with farmer-level training services (gender &amp; age disaggregated).</li> <li>▪ At least 70% of enterprise-level vocational trainee's secure decent employment (gender &amp; age disaggregated)</li> <li>▪ SCGs maintain a minimum annual saving rate growth of 10% over base-year savings;</li> <li>▪ Equity base of registered Social Fund increases by 5% annually after registration</li> <li>▪ Less than 5% non-performing loans in new SCG portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>▪ SCF/WU records.</li> <li>▪ Programme M&amp;E system.</li> <li>▪ Programme baseline studies, mid-term &amp; completion evaluations.</li> <li>▪ Randomised sample surveys</li> </ul>	<p>Financial service providers remain interested to invest in Programme targeted commodity chains.</p> <p>Prices of key commodities remain reasonably stable.</p>
<p><b>Subcomponents (Outputs)</b></p>			
<p>2.1 Community development co-financed</p>	<ul style="list-style-type: none"> <li>▪ All 30 Programme communes have Commune Infrastructure Supervision Boards capable of supervising, inspecting and maintaining infrastructure activities in their communes by end-PY2.</li> <li>▪ At least 15,000 participants (gender disaggregated) trained on key commodity production and processing technologies</li> <li>▪ At least 300 commodity-based CIGs established</li> </ul>	<ul style="list-style-type: none"> <li>▪ SCG records.</li> <li>▪ Case/panel studies.</li> <li>▪ WU records</li> <li>▪ Participatory assessments with program beneficiaries to assess quality, performance and impacts of production support activities.</li> </ul>	<p>No major change in financial climate, lending terms.</p> <p>Potential beneficiary interest sufficient.</p>
<p>2.2 Rural Financial Services Enhanced.</p>	<ul style="list-style-type: none"> <li>▪ At least 350 new women's SCGs with more than 5,000 members established.</li> <li>▪ At least 80% of CIG and SCG members complete a farm management training course</li> <li>▪ Biennial agriculture finance conferences held.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Business enterprise records</li> <li>▪ CPRP annual reports.</li> <li>▪ Service provider feedback.</li> <li>▪ Specialist Consultant reports.</li> </ul>	<p>Co-financed beneficiaries capable of providing their contribution.</p>
<p>2.3 Public – Private Collaboration (P-PC) implemented.</p>	<ul style="list-style-type: none"> <li>▪ At least six P-PC financed enterprise value chain investments &gt;USD 300,000 in targeted commodity chains established.</li> <li>▪ At least 100 within-district commodity chains established</li> </ul>	<ul style="list-style-type: none"> <li>▪ CPRP Reports.</li> <li>▪ Programme supervision reports</li> </ul>	<p>Programme design is relevant to government and private business development/ investment objectives.</p>
<p><b>Component 3: Efficient Programme coordination</b></p> <p>Efficient Programme management ensuring smooth implementation of Programme activities.</p>	<ul style="list-style-type: none"> <li>▪ APWBs submitted on time and completed to PSC satisfaction.</li> </ul>	<ul style="list-style-type: none"> <li>▪ CPRP Reports.</li> <li>▪ Programme supervision reports</li> </ul>	<p>Programme design is relevant to government and private business development/ investment objectives.</p>
<p><b>Outputs:</b></p> <p>3.1 PCU fully functional and operating effectively to manage CPRP activities.</p> <p>3.2 Continued strong support from Programme Steering Committee.</p>	<ul style="list-style-type: none"> <li>▪ Programme progress and financial reports are initiated and submitted in a timely manner.</li> <li>▪ Programme audits and procurement and financial management supervision mission reports uniformly good results.</li> <li>▪ M&amp;E system established and operating, providing guidance for improving Programme management.</li> </ul>	<ul style="list-style-type: none"> <li>▪ CPRP Reports.</li> <li>▪ Provincial reports.</li> <li>▪ Programme supervision reports</li> </ul>	<p>Programme supervision maintains Programme relevance.</p>