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Investing in rural people

Socialist Republic of Viet Nam

**Ha Giang: Commodity-oriented Poverty
Reduction Programme (CPRP)**

Negotiated financing agreement

For: **Information**

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

Authorized Representative
[title]

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

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	
TOTAL	6 540 000	

(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.