

## **Socialist Republic of Viet Nam**

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### **Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces**

#### **Final project design report**

#### **Main report and appendices**

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## Contents

### List of Tables

Table1	Logical Framework	xiv
Table 2	Key Positions of Project Coordination Unit	24
Table 3	Main AMD risks and mitigation measures	34
Table 4	Component Project Cost Summary	35
Table 5	Project Component Cost by Year	36
Table 6	AMD Financing Plan	36

## **Appendices**

## Currency equivalents

Currency Unit	=	Vietnamese Dong (VND)
US\$1.0	=	21,000

## Weights and measures

1 kilogram	=	1000 g
1 000 kg	=	2.204 lb.
1 kilometre (km)	=	0.62 mile
1 metre	=	1.09 yards
1 square metre	=	10.76 square feet
1 acre	=	0.405 hectare
1 hectare	=	2.47 acres

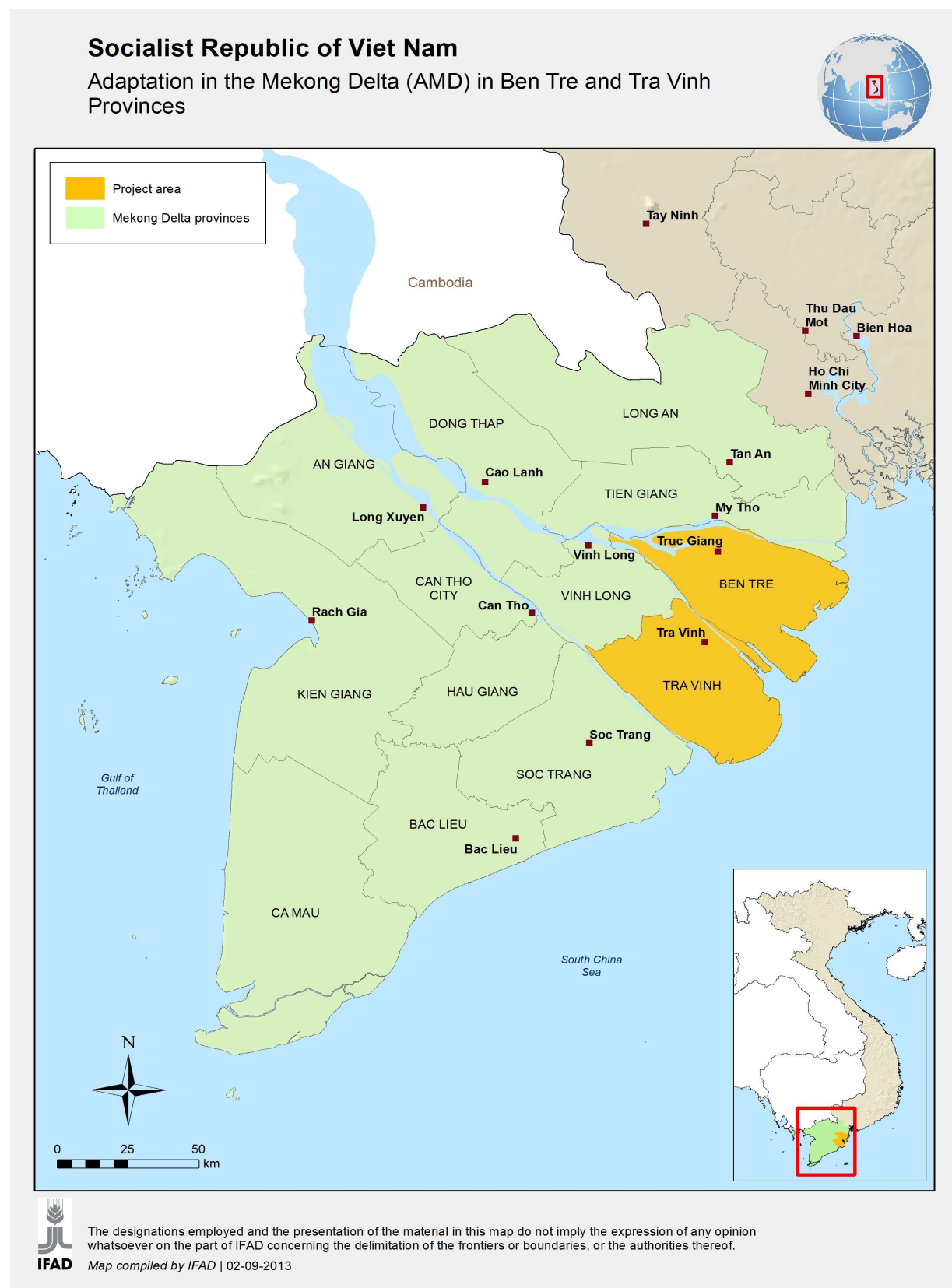


## Abbreviations and acronyms

AMD	Adaptation in the Mekong Delta
ARD	Agriculture and Rural Development
ASAP	Adaptation for Smallholder Agriculture Programme
AWPB	Annual work plan and budget
CBA	Community-based adaptation
BMPs	Better Management Practices
CBDRM	Community based disaster risk mitigation
CC	Climate change
CCAC	Climate Change Adaptation Coordinator
CCCO	Climate Change Coordination office
CCFSC	Viet Nam Central Committee for Flood and Storm Control
CIG	Community interest groups
COSOP	Country Strategic Opportunities Programme
CPC	Commune People's Committee
CSA	Climate smart agriculture
CTU	Can Tho University
DARD	Department of Agriculture and Rural Development
DA	Designated Account
DBRP	Developing Business with Rural Poor
DOLISA	Department of Labour Invalids and Social Affairs
DoNRE	Department of Natural Resource and Environment
DPPR	Decentralised Programme for Rural Poverty Reduction
DPC	District People's Committee
DPI	Department of Planning and Investment
EIU	Economist Intelligence Unit
GDP	Gross Domestic Product
GEF	Global Environment Facility
GSO	Government Statistical Office
GoV	Government of Viet Nam
HCMC	Ho Chi Minh City
ICT	Information communication technology
IDC	Irrigation and Drainage Company
IFAD	International Fund for Agriculture Development
IMPP	Improving Market Participation of the Poor Project
IRR	Internal rate of Return
MARD	Ministry of Agriculture and Rural Development
M&E	Monitoring and Evaluation
MTR	Mid-term Review
MFI	Micro Finance Institution
MIS	Management information system
MoF	Ministry of Finance
MoLISA	Ministry of Labour Invalids and Social Affairs
MoSEDP	Market-Orientated Socio-Economic Development Planning
MoU	Memorandum of Understanding
MRC	Mekong River Commission
NGO	Non-Government Organization
NTP	National Target Programme
NTP-NRD	National Target Programme on the New Rural Development
NTP-RCC	National Target Program to Respond to CC
ODA	Official Development Assistance
PAR	Participatory Action Research
PCCSC	Provincial Climate Change Steering Committee
PCF	People's Credit Fund
PCR	Project Completion Review
PCU	Project Coordination Unit
PD	Project Director

PLF	Project Life File
PO	SEDP Planning Officer
PPC	Provincial People's Committees
PPP	Public – Private Partnership
PSC	Project Steering Committees
PSD	Participatory Scenario Development
PVCA	Participatory Vulnerability Capacity Analysis
RFS	Rural Finance Specialist
RIMS	Results and Impact Management System
SBV	State Bank of Viet Nam
SCG	Savings and Credit Groups
SEDP	Socio-Economic Development Plan
SIP	Strategic Investment Plan
SIWRP	Southern Institute for Water Resources Planning
SIWRR	Southern Institute for Water Resources Research
SLR	Sea Level Rise
SEDS	Socio-economic Development Strategy
SME	Small and Medium Enterprise
SMS	Strategic Management Service
SOE	Statements of Expenditure
SRI	System of Rice Intensification
TAG	Thematic Ad Hoc Group
ToR	Terms of Reference
ToT	Training of trainers
TVU	Tre Vinh University
VASS	Viet Nam Household Living Standards Survey
VAT	Value Added Tax
VBARD	Viet Nam Bank for Agriculture and Rural Development
VBSP	Viet Nam Bank for Social Policy
VC	Value Chain
VCDO	Value Chain Development Officer
VDB	Village Development Board
VFU	Viet Nam Farmers' Union
VDB	Village Development Board
VND	Vietnamese Dong
WSCF	Women's Savings and Credit Facilities
WSF	Women's Social Fund
WU	Women's Union

## Map of the project area



## Executive Summary<sup>1</sup>

1. **Background:** The Adaptation in the Mekong Delta in Ben Tre and Tra Vinh Provinces (AMD) project is financed with a blend of International Fund for Agricultural Development (IFAD) loan (USD22 m) and a grant (USD12 m) from the Adaptation for Smallholder Agriculture Programme (ASAP)<sup>2</sup>. The AMD project was identified during the development of the Viet Nam Country Strategic Opportunities Programme 2013-2018 (COSOP), which has a strong climate change (CC) adaptation thrust, and was integrated into the pipeline of projects that received Government of Viet Nam's (GoV) approval. As climate change is a new area for IFAD in Viet Nam, a rigorous consultation process and analysis was undertaken over the course of 2011 – 2013 to identify the key climate change issues and areas of intervention in Ben Tre and Tra Vinh. Extensive consultations were held with local communities, provincial departments and authorities, relevant national government agencies, regional research institutes, civil society organisations and bilateral and multilateral development cooperation partners (see COSOP Appendix 1 para 10). The AMD is fully aligned with the Government of Viet Nam's (GoV) Socio-Economic Development Strategy (SEDS), National Target Programme on New Rural development (NTP-NRD), National Target Programme on Response to Climate Change (NTP-RCC) and the CC action plan for the agriculture and rural development (ARD) sector. Furthermore, the AMD project orientation is consistent with the JICA Master Plan on *Climate Change Adaptation for Sustainable Agriculture and Rural Development in the Coastal Mekong Delta* and responds directly to the third priority project on Cropping System Improvement Program toward Climate Change Adaptation.
2. The AMD will build on the IFAD financed Developing Business with the Rural Poor (DBRP) project in Ben Tre, and the recently completed project in Tra Vinh province, on Improving Market Participation of the Poor (IMPP). Both the DBRP and IMPP have received positive assessments of their impact on decentralizing project investments to commune and village levels, increasing the participation of beneficiaries and enhancing the ownership of local authorities, as well as, promoting grass-roots democracy in poverty reduction. Furthermore, many of the activities of the DBRP and IMPP projects constitute prototype adaptation responses to CC. A table showing DBRP and IMPP project outcome targets and the extent to which these have been met is detailed in Appendix 3.
3. **Rationale and Approach:** Communities in the project provinces of Ben Tre and Tra Vinh provinces are experiencing rising coastline temperatures, increased salinity intrusion and erratic rainfall patterns, with the latter causing river flow changes and erosion of riverbanks. Reduced river flow as a consequence of upstream dams and associated water abstraction combined with sea level rise (SLR) and storm surge is driving up salinity concentrations further inland. This is leading to reduced supply of potable water, losses in aquaculture, annual and perennial crops and livestock production, and over-use of ground-water resources. The impact of these effects on poor and near poor households, including ethnic minority and landless people, is of particular concern as they are already highly vulnerable to shocks. Unless significant pro-poor CC adaptation measures are developed and adopted, not only will further limitations be placed on the poor, but also, gains in poverty alleviation may be reversed due to exposure to increasing climatic risks.
4. The focus of the AMD is to build the adaptive capacity of communities and institutions in the Mekong Delta to better contend with CC risks. The AMD approach involves building evidence and knowledge for improving participatory planning, policy formulation and facilitating adaptive change through sustainable rural financial services and strategic government co-financing for investing in climate resilient livelihoods at household and community levels. In this regard, the AMD will provide a counterpoint to the GoV's and Ministry of Agriculture and Rural Development's (MARD) emphasis on structural adaptation (infrastructure oriented), by articulating a number of non-structural or "soft"

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1 Mission composition: Mr Garry Smith, Team Leader; Ms Anara Jumabayeva, Economist, FAO; Mr Jorma Ruotsi, Credit Specialist; Mr Guido Rutten, Engineer, IFAD (29 July to 4 August 2013), Roshan Cooke, Regional Climate and Environment Specialist, IFAD (2<sup>nd</sup> to 16<sup>th</sup> August, 2013). The CPM, Mr Henning Pedersen participated in the mission wrap-up.

2 ASAP is a new grant source of supplementary financing within IFAD to scale up and integrate climate change adaptation across IFAD's country investments.

adaptation responses<sup>3</sup>, which, considering the sensitive and uncertain hydrological dynamics of delta ecosystems, provide a more dynamic response without prejudicing future options, or risk of maladaptation. By working along a salinity gradient that extends from the coast inland<sup>4</sup>, the AMD will enable the testing and deployment of alternative rural livelihoods in the context of changing salinity concentrations, and heat and water stress.

5. The AMD, therefore, seeks to raise poor and near poor household resilience, income and nutrition, and to institutionalise an approach for development of pro-poor adaptation pathways at the provincial, district and commune levels that are capable of responding to immediate and future CC impacts. AMD adopts a strategy that builds resilience to climatic hazards through the strengthening of natural, physical, social, human and financial capitals of local communities. In this regard, a resilient household is anticipated to exhibit the following characteristics: i) diversified livelihood and income streams; ii) improved natural resource and risk management based on better access to knowledge on adapting to CC; iii) membership in social networks such as Common Interest Groups (CIGs) and Saving and Credit Groups (SCGs); iv) ability to access credit; v) protection from some climatic hazards as a result of small-scale community infrastructure; and vi) direct engagement in village and commune level planning, and influence on provincial financial allocations.
6. This will be achieved through building adaptive capacity of communities and institutions, the development of robust adaptive and applied research, improvement of knowledge management and monitoring systems, the expansion and diversification of climate resilient agricultural and other livelihood options, more flexible land use zoning and planning, instituting rural microfinance institutions/services, and through government co-financing of adaptive investments at household, community and enterprise levels.
7. **AMD project area:** The project will be implemented in Ben Tre and Tra Vinh provinces in the north-east Mekong Delta Region of Viet Nam. Thirty communes have been selected respectively in each province based on their poverty ranking, vulnerability to CC impacts and overlap with the NTP-NRD communes. The selected communes are also located along a salinity gradient, providing the opportunity to test alternative livelihood models along this gradient.
8. **Target population and expected benefits:** Female-headed and ethnic minority households, and women, will be prioritised among the proposed project target group of poor and near-poor rural households. The target group will include those with and without land or other productive assets, and those without marketable skills. The project proposes specific measures to ensure women's participation in relevant activities, including minimum participation rates, especially in the community and commune level planning processes, as well as, access to credit under the Women's Social Fund. The continued support of the Woman's Union (WU) will be vital in this respect.
9. The project is estimated to provide significant benefits for a minimum of 125,000 poor rural people in 30,000 households. These beneficiaries will receive a combination of capacity building, climate-informed planning, technology transfer and credit access, supported by upgraded community infrastructure and co-financing of investment in their farming operations. In addition, at least 6,000 people will benefit from new employment opportunities generated by farm and off-farm investments, and at least 4,000 will receive vocational training. Staff from Department of Planning and Investment (DPI), Department of Agriculture and Rural Development (DARD), Department of Natural Resources and Environment (DoNRE) and agricultural staff at the commune level will also receive skills enhancement training. The project will also generate flow-on benefits to over 1.5 million rural people of both provinces through better access to salinity data and forecasts, technology development and promotion, access to credit and institutional strengthening leading to better CC governance and participatory climate-informed planning across both provinces.

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<sup>3</sup> In most definitions, "hard" adaptation measures usually imply the use of specific technologies and actions involving capital goods, such as dikes, seawalls, and reinforced buildings, whereas "soft" adaptation measures focus on information, capacity building, policy and strategy development, and institutional arrangements (World Bank 2010c).

<sup>4</sup> It is important to note that the salinity gradient is not static, and can be patchy due to the impact of existing infrastructure.

10. **Project goal, objectives and outcomes:** The **Goal** of the project is “sustainable livelihoods for the rural poor in a changing environment”. The **Objective** of the project is to “strengthen the adaptive capacity of target communities and institutions to better contend with climate change”. The anticipated main outcomes at the goal level are: (i) a 40 per cent reduction in the prevalence of child malnutrition; (ii) 30,000 poor and near poor households with at least 25% improvement in household assets ownership index; and (iii) 60% reduction in income poverty in project communes (differentiated data for poor/near poor, ethnic minority & women-headed households).
11. **The main indicators** at the objective level are: (i) 100% of provincial communes and districts implementing annual climate-informed, participatory market oriented, Socio-Economic Development Plans for demand-driven rural development public investment; (ii) at least 30,000 poor smallholder household members whose climate resilience has been increased 30% (gender and ethnic minority disaggregated); and (iii) at least USD 30 million equivalent invested in profitable climate adaption oriented small-scale infrastructure, farming systems and enterprises in project communes.

### **Project components**

12. **Component 1: Building Adaptive Capacity** aims to *develop an ARD sector CC adaptation management framework together with participating communities, institutions and provinces*. It consists of two provincial department-led sub-components: (a) Climate change knowledge enhancement; and (b) Climate-informed planning. These sub-components will build on work already undertaken by research institutions, development partner agencies, and IFAD's own experience. The AMD project will fill knowledge gaps on developing viable livelihood options in the face of increasing salinity, temperature and water stress, and making CC concerns explicit in the planning and resource allocation processes at the provincial level.
13. **Sub-component 1.1: Climate change knowledge enhancement** consists of three activities: (a) Building an evidence base for adaptation; (b) Water quality monitoring and reporting; and (c) Knowledge management and dissemination.
14. *Building an evidence base for adaptation*. The project will identify the core set of climate adaptation research topics that need to be addressed, both through Participatory Action Research (PAR) and through an applied research program deployed along a salinity gradient. The project will support DARD to develop PAR processes, which on the one hand will monitor, evaluate and promote appropriate endogenous adaptation responses being practiced by farmers and aquaculturists, and on the other hand, test and promote resilience building measures identified by communities and sub-sector experts. In partnership with Tra Vinh University (TVU), regional research institutes and international collaboration, the project will evaluate climate adaptation technologies and approaches that show potential for scaling up.
15. This will include deploying a number of climate resilient adaptation innovations and farming models along a salinity gradient for building a knowledge base on what livelihood activities are possible under specific salinity concentrations. The on-farm demonstration sites will be developed with existing and new Common Interest Groups (CIGs). This will be supplemented with adaptive research in new stress tolerant (salinity, heat and water) varieties of crops and in developing sustainable cropping systems. The project will also strengthen pro-poor extensive brackish water aquaculture through: (i) participatory development of best management practices (BMPs) and their sub-sector wide deployment; (ii) enhancing the quality and production efficiency, and scaling-up of backyard shrimp seed hatcheries; (iii) the establishment of seed quality testing and certification facilities; and (iv) research into the use of aquaculture pond sludge as an organic fertiliser. Furthermore, salinity tolerant aquaculture breeding will be undertaken using molecular marker technology for developing commercially viable saline tolerant varieties. This will enable the continued use of existing aquaculture infrastructure once salinity concentrations exceed the tolerance of freshwater fish.
16. *Water quality monitoring and reporting*. There is no credible real-time salinity decision making information that water systems managers, farmers and aquaculturists can access. The project proposes the development of a real-time salinity monitoring and forecasting system comprising of a network of 60 automated salinity monitoring stations, a network of up to 2000 CIG manual monitoring

points. Data gathered both automatically and manually will be processed in a central platform that will be equipped with hard and software for data storage, processing and dissemination. Data from the Mekong River Commission (MRC) river flow information system will also be processed by the central platform for generating salinity forecasts for improving decision making by farmers and aquaculturists. The multifunctional data platform will be established in partnership with other donors and government institutions and build on existing platforms. The system will warn farmers for avoiding inadvertent salinity intrusion, allowing for adaptation at field level, and will also enable a more objective assessment in light of what is needed for longer-term salinity control measures, and inform medium to long-term investment decision making and land-use zoning at provincial level.

17. **Knowledge management and dissemination.** The effective management and dissemination of knowledge and information generated by sub-component 1.1 will be necessary both for generating adaptive capacity at community and institutional levels, and to build a bridge between adaptation research, on the ground investments, the integration of CC concerns into planning and budgetary processes, and policy discussion. As such, the project will finance a program for systematically capturing learning and placing it at the disposal of all relevant end-users within the project provinces and beyond. Project activities will include: (i) the formation and operation of an inter-provincial Thematic Ad Hoc Group or “TAG” on CC adaptation; (ii) the organization of inter-provincial end-user/stakeholder groups for specific production models and high value research; (iii) the systematization of knowledge outputs in formats readily accessible to different audiences; (iv) the Training of Trainers, including CIG leaders, for the replication and scaling up of successful technologies and approaches for pro-poor, CC-adapted systems; and (v) the dissemination of results through farmer-to-farmer extension through trained CIG leaders, learning events, field visits and study tours and presentations of results at national and regional conferences and events.
18. **Sub-component 1.2: Climate-informed planning.** This DPI-led, and DARD and DONRE supported, sub-component consists of two activities: (a) Community based adaptation and disaster risk management planning; and (b) Climate-informed socio-economic development plan (SEDP) and policy development. In the last five years IFAD-supported projects have successfully developed, piloted and institutionalized market-oriented local development planning (MoSEDP), as well as, a tool for “climate proofing” of value chains. The AMD will build on this experience to systematically mainstream CC concerns into the provincial planning and budgetary allocation processes.
19. **Community based adaptation and disaster risk management planning.** This activity will build community and institutional capacity to undertake gender-equitable community-based adaptation (CBA) and disaster risk management (CBDRM) planning. The CBA/DRM programme will be built on a strong local PAR established evidence base. In target project communes CC Participatory Scenario Development (PSD), vulnerability assessments and land-use planning using geospatial data systems will support commune and district level plan development and raise awareness of expected CC impacts among local communities. Based on previous IFAD and development partner experience, the project will support the development of tools, guidelines and frameworks for integrating CC adaptation/mitigation elements into the SEDP planning process at commune and district levels for province-wide use during the 2021 – 2025 SEDP planning process. The CBA/DRM process will, through a village-based program of climate vulnerability and capacity, gender and power analysis, and PSD, develop an understanding of: long term aspirations, vulnerable groups; economic opportunities, local institutions, power dynamics, and gender, relations, norms and inequities. Villages will then formulate CBA/DRM plans that feed into SEDP and investment planning processes.
20. **Climate-informed socio-economic development planning and policy development.** At commune and district levels across each province<sup>5</sup>, the project will facilitate the integration of climate-adapted farming systems and value chain development planning<sup>6</sup> into an enhanced, climate-informed market-oriented SEDP. The SEDP process will help allocate all, National Target Programme (NTPs) funding (New Rural Development; Response to Climate Change; Sustainable Poverty Alleviation), and will engage all relevant entities at the commune and district levels, including the effective participation of

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<sup>5</sup> In 30 project communes in 2014 and 105 communes, wards and towns in 2015.

<sup>6</sup> Using the IMPP-developed value chain Climate Proofing Tool

Village Development Boards (VDBs) and private enterprise. The Commune and District SEDPs, grounded on detailed participatory CC adaptation research, will identify climate-adapted farming systems and associated value chain development opportunities and plan supporting public investments and production activities. The project will build capacity at commune, district and provincial level for climate-informed SEDP planning, which will focus on investments for community based infrastructure and for household and enterprise investments for CC adaptation and DRM.

21. The project will support DPI to integrate CC concerns into both the 2016-20 and 2021-25 Provincial Five-year SEDPs. This will be underpinned by support to DoNRE to prepare their Provincial Climate Change Action Plans for 2016-20 and 2021-25, and to DARD to: (a) update master plans for four priority CC adaptation subsectors in each Province (e.g., horticulture, aquaculture, livestock, and irrigation), identifying CC concerns and impacts; and (b) prepare the Provincial Agricultural Sector Climate Change Action Plan for 2016-20 and 2021-25. Similar to the Climate Change Coordination Office (CCCO) in Ben Tre, a CCCO will be established on a co-financed basis in Tra Vinh as well. The CCCOs will act as Secretariats to the Provincial Steering Committees on Climate Change (PSC-CC) in support of CC planning and policy development for equipping the Provincial Peoples Committee (PPC) to engage in evidence based policy discussions at both Mekong Delta and National levels.
22. **Component 2: Investing in Sustainable Livelihoods** provides the financing means and facilities for scaling up the results of the “community-based adaptation R&D in the ARD sector” and “climate-informed socio-economic and master plan development” activities of Component<sup>1</sup>. The focus is on financing household and community adaptation needs and public good adaptation investment, identified by commune and district authorities in their SEDPs.
23. **Sub-component 2.1: Rural Finance for Resilient Livelihoods**. This Sub-component consists of three activities: (a) establishment of new Savings and Credit Groups (SCG); (b) transformation of credit networks into a Microfinance Institution (MFI); and (c) leveraging capital for adaptation and value chain investment.
24. *Establishment of new Savings and Credit Groups (SCG)*. Building on the previous two IFAD projects in the provinces, the AMD will continue to support the establishment of new women’s SCGs as a means to deepen financial inclusivity and build social capital to withstand economic and climatic shocks. SCG membership will focus on poor and near-poor households with particular emphasis on the inclusion of the women-headed and ethnic minority households. The AMD will establish around 1140 new SCGs (580 in Ben Tre and 560 in Tra Vinh), capitalised with USD 1.6 million in grant financing. The Women’s Union will function as the implementing agency and will be supported through: i) capacity building of the implementing staff; ii) intensive training of the group leaders; iii) training of women’s SCG members in savings and credit operations and in new, climate smart farming technologies and opportunities; iv) annual provincial review and planning meetings; and v) investment capital of USD 1.6 million as a grant. Across the SCG operation in both provinces, the Women’s Social Fund (WSF) (see next para) will be given technical support for the active promotion of a savings culture in the groups to reduce future dependence on externally injected capital.
25. *Transformation of credit networks into a Microfinance Institution*. This innovative activity aims to transform SCGs and their networks into registered, sustainable, provincially-based microfinance institutions (MFI) so that long-term access to credit can be assured in the face of increasing climatic risks. It will bring thousands of women’s SCGs in the province under an institutional arrangement that will ensure appropriate supervision of these small financial organisations. The transformation will open opportunities for linking mature group members with financial institutions that can provide financial intermediation on a larger scale. In both provinces, the PPCs have approved the establishment of WSFs as apex financial institutions for the WU’s network of SCGs.
26. AMD will provide a comprehensive support package for the WUs so that their WSF operations can, by project-end, be converted into a sustainable, registered, province-wide MFI. AMD support will include international and local TA to develop business plans for the WSFs and on-the-job training of key WSF staff, a substantial WSF staff capacity building package, an appropriate loan management system and relevant equipment, training of WU cluster/group leaders and members in the new operational



methods, and additional investment capital (USD 1 million) for each new MFI (subject to a due diligence test confirming that they have adequate capabilities to manage their operations). The WSFs will also benefit from IFAD's on-going, national support for MFI transformation processes.

27. **Leveraging capital for adaptation and value chain investment.** This activity will stimulate the financial sector to invest in CC adaptation and value chain development activities in the province. There are various potential sources of capital available for rural investments in the 2 provinces. The commercial banks are liquid, and report that they have sufficient financing for medium and long-term investments. Importantly, most of the local commercial bank branches have access to the large national agricultural credit lines, particularly those financed by the World Bank. Peoples Credit Funds (PCF) also have access to a large, internationally funded credit line. Furthermore, there are national and provincial schemes that provide subsidised interest rates for the rural lending operations. In this situation, one key objective of AMD and its management will be to work in a pro-active manner to attract financing from various types of financial institutions to the value chain and CC adaptation processes of the Project to ensure an appropriate level of scaling up. This advocacy and knowledge sharing is a continuous process and an integral part of the project management work. One specific AMD investment in this area, involves support to organising 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 value chain participants in the province. These workshops will be organised thrice during the AMD project period.
28. **Sub-component 2.2: Investing in Climate Change Adaptation.** This Sub-component consists of three activities: (a) Community infrastructure for CC adaptation; (b) Co-financing for CC adaptation; and (c) Public-Private Collaboration in a changing environment.
29. **Community infrastructure for climate change adaptation.** The project will co-finance community based small-scale infrastructure investments for CC adaptation (as opposed to large-scale irreversible infrastructure being proposed by GoV and MARD). These will be infrastructure items normally considered to provide public benefit and might include, *inter alia*, potable water supply, sanitation and waste management, salinity management structures, disaster-secure access roads, water use efficient irrigation, and renewable energy supply. Infrastructure investment schemes will be identified and prioritized during the annual commune SEDP process and, with consultant support where required, verified by the district line agencies in collaboration with the Project Coordination Unit (PCU) before approval. The AMD will finance up to 90% of community infrastructure costs.
30. **Co-financing for climate change adaptation.** There is a recognised for households to invest in production systems adapted to CC impacts, energy efficient farm equipment and renewable energy technologies that sustainably increase household incomes. Such shifts in production can involve substantial costs, including delayed yields that may constrain investment in improved resilience by poor households. To support and accelerate this investment process, AMD will provide co-financing for CC adaptation. Based on detailed project proposals by farming households, household enterprises and cooperatives, AMD will approve co-financing for successful candidates that will cover up to 50% of the costs of each investment, with a maximum co-financing amount of VND 30 million (USD 1,430) per household and VND 750 million (USD 36,000) per cooperative.
31. The grant beneficiary will finance the rest from his/her own resources or through a financial institution loan. Contribution in kind will not exceed 30% of the total investment. Both the Viet Nam Bank for Social Policy (VBSP) and the Viet Nam Bank for Agriculture and Rural Development (VBARD) have expressed enthusiasm to participate in this joint financing scheme. Grant recipients will receive technical support from AMD technical staff and public and private technical support organisations in the provinces. Competitively allocated co-financing applications will be processed through AMD functionaries and staff at the commune and district levels, with the final decisions on grant approval made initially by a sub-committee in the PCU and subsequently by district project offices once they meet capacity targets. The total AMD budget (including beneficiary financing) for CC adaptation co-financing in Tra Vinh and Ben Tre will be at least VND 210 billion (USD 10 million).

32. *Public-Private Collaboration in a changing environment.* A Public-Private Collaboration (P-PC) fund will co-finance investment by private businesses in support of climate-sensitive value chain development and rural employment generation. The PCU-managed P-PC facility will encourage private sector investments by co-financing up to 49% of investments in quality input supply for, and raw material marketing/processing of, products from adaptive farming systems, resulting in increased income and job opportunities amongst poor and near-poor households. This will also provide an incentive for farmers and aquaculturists to adopt CC adapted farming systems through the development of post-production steps in the value chain. Grants will start at USD 15,000 as a minimum and, initially, reach USD 60,000 as the maximum. The P-PC will be reviewed regularly and the grant amount adjusted based on co-financier performance. The AMD will provide approximately USD 4 million for P-PC facility financing (including beneficiary contribution).
33. All investment proposals will be consistent with the CC adaptation investment opportunities identified by DARD sub-sector studies (Sub-component 1.1). Benefits to poor people, provision of living wages, job creation for landless poor, gender equality, value addition, and improved market access, together with commercial viability, environment impact and cost effectiveness assessments, will constitute some of the criteria against which an investment proposal would be evaluated. The process for the award of P-PC grants is detailed in the IFAD Viet Nam Agribusiness Promotion Investment Fund (APIF) manual. Only registered cooperative societies and companies of at least 24 months standing will be eligible to apply. P-PC investments will be awarded on a competitive basis (See Appendix 4) with enterprises contributing in excess of the 51% minimum more likely to succeed. The Project Steering Committee (PSC) will propose AMD recommendations for P-PC investments for PPC approval. The P-PC programme will be underpinned by a technical, business management, accounting and IT capacity building program for District and Commune level businesses with a view to improving farmer service capacity and profitability, and enterprise linkages, both at local level and to upstream quality suppliers and markets. It is recommended that the provincial Enterprise Associations mentor this programme.
34. *Vocational Training.* The investment in CC adaptation will be overlaid by a capacity building programme for increasing off-farm labour opportunities. This will include: (a) training of labour from poor households at commune level to construct community-based infrastructure; (b) training of landless people, mainly ethnic minority people to participate as well-remunerated employees of small enterprises and enable them to launch micro-enterprises suited to their limited resource base; (c) training in installation of green technologies; (d) training of small and medium input supply and marketing enterprise owners at commune and district levels in business management and marketing, and in adoption of technology relevant to CC adaptation in their business areas.
35. **Project cost and financing:** The total Project costs are estimated at US\$ 49.3 million (VND 1,032 billion). Funds allocated to the Project Management are about USD 4.6 million or 9% of the total Project costs. The project will be financed by: (i) an IFAD Loan of USD 22 million (45% of the total Project costs); (ii) an IFAD ASAP Grant of USD 12 million (24% of total project costs); (iii) Beneficiary contributions of USD 7.8 million (16% of the total Project cost); and (iv) GoV contribution of USD 7.6 million (15% of the total Project cost).
36. **Implementation arrangements:** The AMD will adopt similar implementing arrangements as the previous 2 IFAD projects. The primary difference however is that the AMD will be implemented by the responsible provincial departments and supported by the PCUs. Experienced personnel from the DBRP and IMPP projects will be retained to serve implementation of the AMD project to facilitate a fast start up.

Table 1. Logical Framework

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
<b>Goal:</b> <i>Sustainable livelihoods for the rural poor in a changing environment.</i>	<ul style="list-style-type: none"> <li>40% reduction in the prevalence of child malnutrition<sup>7</sup></li> <li>30,000 poor and near poor households with at least 25% improvement in household assets ownership index<sup>1,8 &amp; 9</sup></li> <li>At least 60% reduction in income poverty in project communes (differentiated data for poor/near poor, ethnic minority &amp; women-headed households)<sup>10</sup></li> </ul>	Baseline studies, Project mid-term evaluation, & Project completion evaluation	
<b>Project Development Objective:</b> <i>Adaptive capacity of target communities and institutions to better contend with CC strengthened.</i>	<ul style="list-style-type: none"> <li>100% of Ben Tre (BT) and Tra Vinh (TV) communes and districts preparing and implementing annual climate-informed, participatory market oriented plans<sup>11</sup>.</li> <li>At least 30,000 poor smallholder households whose climate resilience<sup>12</sup> has been increased by 30% (gender and ethnic minority disaggregated).<sup>13 &amp; 14</sup></li> <li>At least USD 30 million invested in profitable<sup>15</sup> climate resilient infrastructure, farming systems and enterprises in project communes that show an IRR &gt; 12%.</li> </ul>	<ul style="list-style-type: none"> <li>DoNRE &amp; DPI annual reports</li> <li>Project M&amp;E system</li> <li>VBARD, VPSP and WU records</li> <li>Project baseline studies, mid-term &amp; completion evaluations</li> </ul>	Socioeconomic conditions remain reasonably stable in the project area and climatic disasters are manageable (A)  Supporting Government Departments (DARD, DoNRE & DPI) do not internalize AMD work programs and targets (R)

7 Mandatory RIMS indicator as per DEPOCEN. 2012. M&E Manual Guide for IFAD Funded Projects in Vietnam. Hanoi. 10/2012. IFAD/Vietnam: Managing For Impact in Rural Development. 196 pp.

8 Annual outcome surveys should demonstrate asset retention over time.

9 The project will also generate flow-on benefits to over 1.5 million rural people of both provinces through better access to salinity data and forecasts, technology development and promotion, access to credit and institutional strengthening leading to better CC governance and participatory climate-informed planning across both provinces

10 Indicator from COSOP & National Target Program for New Rural Development (Tam Nong). Project communes will be assessed against a control group.

11 Effectiveness will be measured in terms of achievement of annual targets: e.g. level of enterprise investment, poverty reduction, public infrastructure development, production/productivity improvement, etc. This data is collected by the Statistical Office and can be aggregated by DPI.

12 A resilient household is anticipated to exhibit, *inter alia*, the following characteristics: i) diversified livelihood and income streams; ii) improved natural resource and risk management based on better access to knowledge on adapting to CC; iii) membership in social networks such as Common Interest Groups (CIGs) and Saving and Credit Groups (SCGs); iv) ability to access credit; v) protection from some climatic hazards as a result of small-scale community infrastructure; and vi) direct engagement in village and commune level planning, and influence on provincial financial allocations. These criteria will, amongst others, be developed as a score card to measure change. Of these indicators, at a minimum, a HH needs to have i), iv) and vi) to be considered resilient.

13 Indicator from ASAP. Not all resilient farming systems will be appropriate for each of the 60 communes

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
<p><b>Component 1: Building Adaptive Capacity</b></p> <p>A comprehensive agriculture sector CC adaptation management framework operating with participating communities, institutions and provinces.</p>	<ul style="list-style-type: none"> <li>At least 80% of communes and districts in BT and TV have adopted and are applying a harmonized community-based disaster risk management (DRM) and community adaptation plan (CBA)<sup>3</sup></li> <li>At least 8 different viable pro-poor climate resilient farming system packages<sup>16</sup>, each adopted by more than 400 poor &amp; near poor households<sup>17</sup>;</li> <li>70% of farmers and enterprises in project communes able to articulate their individual and community CBA/DRM strategies (gender and minority people disaggregated)</li> <li>At least 70% of farmers and aquaculturists use salinity updates for water-use decision making</li> </ul>	<ul style="list-style-type: none"> <li>DAD, DoNRE and TVU annual reports</li> <li>Project M&amp;E system</li> <li>Project baseline studies, mid-term &amp; completion evaluations</li> <li>Post training community surveys and focus group discussions</li> </ul>	<p>Integrated disaster risk management &amp; vulnerability reduction planning will not be effectively integrated into village-, commune- and district-level planning (R)</p> <p>Government issues enabling decrees for integration of CC into SEDP (A)</p> <p>Inter-institutional cooperation &amp; articulation is maintained &amp; reasonably effective (R)</p>
<p><b>Outputs</b></p> <p><b>Sub-component 1.1: Climate Change Knowledge Enhancement.</b></p> <p>1.1.1 Participative development of gender sensitive models for farmers &amp; aquaculturists to formally engage in climate resilient, profitable, production.<sup>4</sup></p> <p>1.1.2 Sustainable salinity monitoring system with web-based open</p>	<ul style="list-style-type: none"> <li>At least 15 climate resilient farming system packages tested with at least 40 farmers each<sup>7</sup>.</li> <li>Near real time updates from automated salinity monitoring system disseminated across BT and TV.</li> <li>At least 25 peer-reviewed scientific papers published on climate adapted species/varietal introductions into TV and</li> </ul>	<ul style="list-style-type: none"> <li>DARD, DoNRE, TVU</li> <li>Project M&amp;E system</li> <li>Project baseline studies, mid-term &amp; completion evaluations</li> </ul>	

<sup>14</sup> The AMD will explore the incorporation of the FAO Resilience Tool (<http://www.fao.org/docrep/013/al920e/al920e00.pdf>) questionnaire into the RIMS baseline survey. As this is a rapidly emerging field, the role of other resilience measuring tools will be explored closer to project inception.

<sup>15</sup> > 12% return on investment capital.

<sup>16</sup> Includes aquaculture.

<sup>17</sup> Indicator from COSOP

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
<p>source database established</p> <p>1.1.3 Tra Vinh University implementing an adaptive, climate-informed agricultural and aquaculture varietal research program.</p>	<p>BT provinces.</p>		
<p><b>Sub-component 1.2: Climate-Informed Planning</b></p> <p>1.2.1 Communes prepare community-based adaptation and disaster risk mitigation plans</p> <p>1.2.2 Provincial Departments of Planning &amp; Investment have guidelines and tools for market oriented, climate-informed SEDP planning and the capacity to independently train district and commune staff in market oriented strategic planning<sup>7</sup>.</p>	<ul style="list-style-type: none"> <li>○ 70% competency<sup>18</sup> achieved by government staff trained in climate-informed, market oriented SEDP.</li> <li>○ DARD's &amp; DoNRE's provincial-level CC Action Plans updated &amp; integrated into sectoral priorities for the 2016-2020 SEDP.</li> <li>○ New policy directives on the integration of climate information into SEDP planning and the application of climate risk analysis on land use zoning adopted by BT and TV administration.</li> <li>○ Provincial climate-informed market oriented SEDP's produced for BT and TV for the periods 2016-2020 and 2021-2025.</li> </ul>	<ul style="list-style-type: none"> <li>○ Competency based training course results.</li> <li>○ DARD and DoNRE reporting</li> <li>○ Project M&amp;E system</li> <li>○ Prime Minister approval of 5-year provincial SEDPs</li> <li>○ Provincial Gazette (policy directives)</li> </ul>	<p>Provincial governments committed to participatory market-led socio-economic development planning (A)</p> <p>Provincial governments integrate commune level NTP funding into the MoSEDP process (A)</p> <p>Ethnic minorities enabled to participate (A)</p> <p>Provincial governments do not support private sector participation in SEDP development (R)</p> <p>Inadequate skills base amongst local service providers (R)</p>
<p><b>Component 2: Investing in Sustainable Livelihoods</b></p> <p>Increased and more inclusive financing for market oriented, climate smart agriculture and agri-business investments.</p>	<ul style="list-style-type: none"> <li>▪ Less than 5% non-performing loans in WU SCG portfolios.</li> <li>▪ At least 50% of households in project communes accessing credit for climate resilient farming activities.</li> <li>▪ An increase of at least 30% of rural HHs with increased income of at least 30% from</li> </ul>	<ul style="list-style-type: none"> <li>▪ Credit institution records.</li> <li>▪ Case/panel studies.</li> <li>▪ Project M&amp;E system</li> <li>▪ Project baseline studies, mid-term</li> </ul>	<p>No major change in financial climate, lending terms (A)</p> <p>Financial service providers remain interested to invest in project targeted value chains (A)</p> <p>Prices of key commodities remain</p>

<sup>18</sup> Competency will be assessed between 6-12 months post training, based on an assessment of retained knowledge and changed behaviour.

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
	wage and non-farm-sector employment (gender ethnicity & income disaggregated) <sup>3</sup>	& completion evaluations	reasonably stable (A)  Quality & availability of freshwater in the project Provinces remains adequate for development of project livelihood activities (R)
<b>Sub-component 2.1: Rural Finance for Resilient Livelihoods</b> 2.1.1 Savings and Credit Groups established 2.1.2 Women's Union Social Funds and/or transformed into viable Micro-Finance Institutions capable of financing private farmers, traders and commercial value chains; 2.1.3. Farmers and agribusinesses can more easily access credit from diversified financial service providers <sup>3</sup>	<ul style="list-style-type: none"> <li>Two provincial MFIs established and providing loans.</li> <li>At least 1040 new women's SCGs having at least 19,000 members established</li> <li>Biennial agriculture finance conferences held in each AMD province</li> </ul>	<ul style="list-style-type: none"> <li>WU records</li> <li>Business enterprise records.</li> <li>Project baseline studies, mid-term &amp; completion evaluations</li> </ul>	Inadequate skills base amongst local service providers (R)  Government completes the regulatory framework for the implementation of MFI legislation (A)
<b>Sub-component 2.2: Investing in Climate Change Adaptation</b> 2.2.1 Climate resilient, risk reducing, small-scale commune works and infrastructure constructed <sup>4</sup> 2.2.2 Poor and near poor households can affordably invest in profitable climate adaptation technology <sup>3</sup> 2.2.3 P-PC funds allocated competitively, enabling SMEs, CIGs & Co-ops to	<ul style="list-style-type: none"> <li>All 60 core project communes have Commune infrastructure project supervision boards capable of supervising, inspecting and maintaining infrastructure projects in their communes by end-PY2<sup>7</sup>.</li> <li>80% of participating communities &amp; CIGs confirm the relevance &amp; effectiveness of project financed commune works and investments.</li> <li>At least 30,000 people (gender</li> </ul>	<ul style="list-style-type: none"> <li>Project M&amp;E system</li> <li>Project baseline studies, mid-term &amp; completion evaluations</li> <li>Case studies and beneficiary and service provider surveys</li> <li>Business enterprise records.</li> </ul>	Sufficient interest in market traders to participate. (A)  Leveraged beneficiaries capable of providing their contribution (A)  Business regulatory system remains favourable (R)

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
<p>invest in sustainable, climate-sensitive production &amp; raise working standard and opportunities for laborers.</p>	<p>disaggregated) trained on key adaptation systems<sup>19</sup> &amp; technologies<sup>3</sup>.</p> <ul style="list-style-type: none"> <li>▪ At least 6,000 poor households undertake profitable, co-financed climate resilient farming system investments.</li> <li>▪ At least 100 new environmentally sustainable commune level enterprises (including cooperatives &amp; SMEs) operating profitably at project completion.</li> <li>▪ At least 50 traders, each servicing at least 100 farmers, are better informed technically and linked to input or output markets associated with climate resilient value chains.</li> <li>▪ At least three financially and environmentally sustainable investments &gt;USD 500,000 each in agricultural supply chains, including value addition, established in each province<sup>7</sup>.</li> </ul>		

<sup>19</sup> Primarily through AMD participatory and adaptive research activities and CIG based training.

## A. Strategic context and rationale

### A. Country and rural development 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. From 2001 to 2012, Gross Domestic Product (GDP) growth has averaged 6.3% per annum, resulting in rapid poverty reduction: from 28.9% in 2002 to 10.7% in 2010. Due to sustained economic growth since the early 1990s, almost 30 million people have been lifted out of poverty as defined by the national poverty line. The country became a low middle income country in 2008 and achieved five out of eight millennium development goals by 2010. Under the new, increased poverty threshold issued by the Government of Viet Nam's (GoV) Statistical Office in 2012, 20.7% of the population are now considered below the poverty line.

2. These achievements have been accompanied by structural shifts in the economy. Between 1990 and 2011, agriculture's contribution to GDP declined by more than 20% to 21% in 2012. The proportion of the labour force<sup>20</sup> engaged in agriculture also decreased from more than 80% in the 1990s to less than 50% in 2012, due to the industrial and construction boom.

3. Notwithstanding the economic transition taking place, towards industrialisation, agriculture continues to play an important role in maintaining Viet Nam's economic stability. The agricultural and rural sectors of the economy have, in recent years, demonstrated solid annual growth of about 4.5%. Viet Nam is now the world's second largest exporter of rice and a significant exporter of coffee, pepper, tea, cashew and seafood. Export earnings from agricultural and aquaculture products have grown steadily since 1990 reaching USD 27.5 billion in 2012, up 9.7% against 2011, contributing to an agriculture trade surplus of USD 10.6 billion. Industrial crop, vegetables and livestock production have also developed rapidly and largely meet domestic demand.

4. Although economic development in rural areas has resulted in higher income per capita and consequent improvements in living standards, it has also brought with it income inequality, environmental degradation and chronic malnutrition. Despite the gains in per capita income in rural areas, tackling residual poverty is proving to be a persistent challenge as a consequence of limited assets, low levels of education and poor health status, particularly amongst ethnic minorities, who are disproportionately represented among the rural poor.

5. The average income per capita in rural areas is about VND 1 million/month (USD 47) - less than 50% of that in urban areas. The rural poverty rate on the other hand is nearly three times the urban rate. Many rural households are not considered poor, but maintain an income level just above the poverty line. With little or no savings or state support and an almost total dependence on natural resource gathering and subsistence level agricultural production, they are vulnerable to unexpected life events and shocks. Around 90% of total spending of each person living in rural areas is for basic living costs, and most of their income stems from agriculture-forestry-aquaculture production and wage income derived from mostly unskilled manual labour. This situation is further exacerbated as a result of current and predicated CC impacts and their implications on rural livelihoods.

6. Poverty is concentrated in upland areas in the North East and North West Mountains, parts of the Central Highlands and the Central Coastal region. Although the Mekong Delta region is considered more prosperous, 13% of the population is under the poverty line and constitutes a very large number in absolute terms (VASS, 2011). Using multi-dimensional criteria to assess poverty<sup>21</sup>, the poverty among children in the Mekong Delta, at 56.3%, falls second in the country, just behind the North West at 63.12%. In the Mekong Delta, the rate of multi-dimension poverty was the highest in

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<sup>20</sup> Employed population at 15 years of age and above

<sup>21</sup>i.e. not only economic criteria, but also criteria related to child development needs such as, education, health, housing, nutrition, clean water, sanitation, and social protection.



the country at 52.8% (GSO, 2009). The provinces of Ben Tre and Tra Vinh are among the poorest in the Mekong Delta; 4.15% and 16.3% of their respective populations being assessed as poor<sup>22</sup>.

7. Viet Nam's central planning system is complex, involving integrated planning at national, regional and provincial levels. At the national level, it includes (i) a 10-year "Socio-Economic Development Strategy" (SEDS); (ii) the associated, two consecutive "Five-year Socio-Economic Development Plans" (SEDP) and (iii) national, sectoral development plans that define the sector specific objectives to be implemented by the line ministries. In addition, at sub national level there are (i) regional development plans whose purpose is to tailor the objectives of the SEDS and SEDP to the conditions of the regions in Vietnam; (ii) the line ministries' regional and provincial sectoral development plans; and (iii) the PPCs' annual and 5 year plans for socio economic development. Under the national SEDP 2011-2015, there are four thematic areas whose targets orient the planning for the agriculture and rural development sector. These thematic areas are: Clean Water, the NTP-NRD; the NTP-RCC; and Clean Food & Agriculture.

8. The context and functioning of the SEDP process at the local-levels (commune, district and province) is of most relevance to the AMD. It is this five-year plan that establishes the priorities and defines all public budget and expenditure for the coming years...

9. The Government's development vision is laid out in its SEDS 2011-2020. The overall goal of the SEDS is for Viet Nam to become a modern, industrialized country by 2020, placing emphasis on the quality of growth and efficiency of investment. Sustainable development, human resource development, improvements in market institutions and public administration, and developing a synchronous infrastructure system with modern facilities are the major pillars. The Socio-Economic Development Plan (SEDP) 2011-2015 identifies the measures and resources needed for the SEDS implementation. .

10. In recognition of the need to further reduce rural poverty, the MARD, in 2008, put forward a comprehensive strategy on developing "Agriculture, Farmers and Rural Areas" popularly referred to as Tam Nông. Tam Nông calls for a partnership between government, farmers, scientists and the private sector. To realize the objectives of Tam Nông, in June 2010 the NTP-NRD<sup>23</sup>, was launched to transform rural areas<sup>24</sup>, with progress at the commune level being measured against a set of 19 "indicators".

11. Furthermore, in recognition of Viet Nam's vulnerability to CC impacts, the following policies and action plans have been constituted:

- (a) The National Target Program to Respond to Climate Change (NTP-RCC);
- (b) The Action Plan Framework for Adaptation to Climate Change in the Agriculture and Rural Development Sector, 2008-2020;
- (c) MARD's Action Program in Response to Climate Change of the Agriculture and Rural Development Sector, 2011-2015 and Vision to 2050 (RCC-ARD); and
- (d) The National Program on Community-Based Disaster Risk Management to 2020.

12. While there is an impressive set of policy frameworks that guide Viet Nam's development aspirations, full implementation of those policies remains a continuing challenge. If Viet Nam's development gains are to be consolidated, many of the policies that support environmental sustainability and socio-political equality will need to receive greater emphasis with regard to implementation. Many of the gains achieved thus far could otherwise be lost.

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<sup>22</sup>Based on data on Viet Nam Household Living Standard Survey

<sup>23</sup> Prime Minister Decision Number 800/QĐ-TTg

<sup>24</sup> Specific objectives of the NTP-NRD include: (i) an annual growth rate for agriculture, fisheries and forestry Production of 3.3 – 3.5% per annum; (ii) the rural labour force falling to 30%, of whom 50% will be trained farmers; (iii) significantly improved rural infrastructure, with all irrigation systems able to support double cropping, most communes having all-weather road access, most villages accessible to vehicular traffic, expanded fishery port infrastructure and most rural social services reaching that enjoyed by middle-level urban areas; (iv) improving the quality of rural life and its linkage to the industrialized economy; and (v) improved environment protection, disaster risk reduction and CC adaptation.

## B. Rationale

**13.** Economic activities in the Mekong Delta have contributed significantly to the recent economic successes of Viet Nam. The Mekong Delta is a densely populated and highly productive area, and is one of the most intensively cultivated areas in Asia. The Delta produces a major proportion of the country's rice exports, more than 15 million tonnes, or 55% of the national crop. It also produces large amounts of high value marine products, amounting to more than 60% of the national fishery, most of which is exported, and large volumes of vegetables and fruit. Some 20% of the Vietnamese population live in the Mekong Delta of which nearly 85% live in rural areas and are dependent on the agriculture sector for their livelihoods.

**14.** To meet GoV's rice production targets the majority of the Mekong Delta is designated as rice production zones. Over 60% of marketed surplus of rice, however, is produced by only about 20% of the growers located in 25 districts in 5 provinces in the northwest of the Delta (World Bank 2012). Coastal zones experiencing rising salinity are currently sub-optimal for rice cultivation and it is anticipated that this area will expand over time. At the village level, however, people are engaging in endogenous adaptation to deal with the changing context, including shifting from rice cultivation to shrimp farming and vegetable, coconut and salt production, highlighting the need for enhancing the current policy framework in light of experience on the ground.

**15.** In general, over extraction of water (both upstream and downstream), increasing salinity intrusion (due to reduced river flow and sea level rise (SLR)), excessive use of chemical inputs in agriculture, reduced soil fertility due to hydrological changes, mangrove deforestation and disruption of the delta ecosystem through inappropriate infrastructure construction are affecting the agricultural productivity of the Mekong Delta. This is further exacerbated by CC. At present, the delta is experiencing increasing day and night temperature, erratic rainfall with delayed onset of the rainy season and SLR. CC forecasts indicate: the number of days above 30°C and the number of provinces affected will increase: a 31 cm SLR is anticipated by 2050 and a consequent increase in salinity intrusion upstream; and, while annual rainfall is expected to increase, paradoxically an overall reduction in water availability is anticipated.

**16.** Viet Nam is also considered one of the most disaster-prone countries in the world. According to the Vietnam Central Committee for Flood and Storm Control (CCFSC 2005), there are about 30 tropical cyclones occurring in the Western North Pacific annually, of which 11-12 land in the South China Sea, and six to eight storms and tropical depressions affect the territory of Vietnam each year. The Mekong Delta ranks amongst one of the most badly affected geographic areas in terms of disaster occurrences, rating highest with relation to flood risk and saline intrusion, and equal highest in terms of storm, riverbank collapse, storm-surge and fire risks<sup>25</sup>.

**17.** Communities in the project provinces of Ben Tre and Tra Vinh already feel the aforementioned effects of CC. The most serious challenge is with regard to increasing salinity. Reduced river flow due to upstream water consumption combined with SLR and storm surges are leading to salinity penetration deep inland resulting in losses in aquaculture, perennial crops and livestock production, reduced supply of potable water and over-use of ground-water resources. These effects are forecast to become more severe and the livelihood options of the Mekong Delta communities will be increasingly constrained if adaptation to CC measures not developed and implemented. Ethnic minorities, landless households, the poor and near poor – especially amongst women-headed households - are of particular concern, being highly vulnerable to the vagaries of CC. The impressive gains in rural poverty reduction in recent years will be unravelled due to CC phenomena unless proactive efforts are taken to effectively contend with the anticipated threats. The AMD project seeks to address these challenges.

**18.** The AMD project will be financed with a blend of IFAD loan (USD 22 million) and a grant (USD 12 million) from the ASAP, a new grant source of supplementary financing to scale up and integrate CC adaptation across IFAD's country investments. In this regard, Viet Nam's Country

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<sup>25</sup> Ministry of Agriculture and Rural Development, Viet Nam, CCFSC 2005

Strategic Opportunities Programme 2013 – 2018 (COSOP) includes a set of interrelated strategic objectives to contend with CC including a specific strategic objective on enhancing the capacity of the rural poor to adapt to CC<sup>26</sup>. The AMD was identified as a pipeline project within the GoV approved COSOP.

**19.** The focus of the AMD is to build the adaptive capacity of communities and institutions in the Mekong Delta to better contend with CC impacts. The AMD approach involves evidence building leading to improved, participatory planning, with adaptive change enabled through more sustainable rural financial services and strategic government co-financing of investment at household, community and enterprise levels. In this regard, the AMD will provide a counterpoint to the GoV's and MARD's emphasis on structural adaptation, by articulating a number of non-structural or "soft" adaptation responses<sup>27</sup>, which, considering the sensitive and uncertain hydrological dynamics of delta ecosystems, provide a more dynamic response without prejudicing future options or risk of maladaptation. By working along a salinity gradient that extends from the coast inland, the AMD will enable the testing and deployment of alternative livelihoods in the context of changing salinity concentrations, and heat and water stress.

**20.** In this regard, the AMD seeks to institute an approach at the provincial, district and commune levels for development of pro-poor adaptation pathways that are capable of responding to immediate and future CC impacts. This is to be achieved through building adaptive capacity of communities and institutions, participatory and applied agriculture and aquaculture research capacity, the introduction of robust knowledge management and monitoring systems, and the expansion and diversification of climate resilient agricultural and other livelihood options. The AMD will also focus on policy dialogue for addressing challenges associated with restrictive land use zoning. With relation to the immediate needs of the poor, different livelihood options for improving income levels and household nutrition will be co-financed, together with pro-poor investments primarily in small and medium-sized enterprise<sup>28</sup> (SME) adaptation, and small-scale infrastructure for communes under climate stress.

**21.** The AMD therefore seeks to raise poor and near poor household's resilience, income and nutrition through the adoption of a strategy that builds resilience to climatic hazards through the strengthening of natural, physical, social, human and financial capitals of local communities. In this regard, a resilient household is anticipated to exhibit the following characteristics: i) diversified livelihood and income streams; ii) improved natural resource and risk management based on better access to knowledge on adapting to CC; iii) membership in social networks such as Common Interest Groups (CIGs) and Saving and Credit Groups (SCGs); iv) ability to access credit; v) protection from some climatic hazards as a result of small-scale community infrastructure; and vi) direct engagement in village and commune level planning, and influence on provincial financial allocations.

**22.** Several of the AMD activities will build on successes of the previous IFAD projects in the provinces. The IFAD financed DBRP project in Ben Tre province will close at end-June 2014, while IMPP project was recently completed in Tra Vinh province. Both the DBRP and IMPP have been positively assessed for (i) their impact on decentralized investments at commune and village levels; (ii) increasing the participation of beneficiaries and enhancing the ownership of local authorities and (iii) for promoting grass-roots democracy in poverty reduction. Many of the activities of the DBRP and IMPP, furthermore, constitute adaptation responses to CC. These include agriculture diversification, the formation of SMEs and CIGs for off-farm income generation, engagement of the Women's Union as a lender to vulnerable households, vocational training and tools for mainstreaming CC into the Provincial SEDP and enterprise development.

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26 The 3 strategic objectives are: i) Enable poor rural provinces to carry out market-led pro-poor rural development; ii) Improve access of the rural poor— particularly women – to commodity and labour markets; and iii) Enhance the capacity of poor rural households to adapt to CC.

27 In most definitions, "hard" adaptation measures usually imply the use of specific technologies and actions involving capital goods, such as dikes, seawalls, and reinforced buildings, whereas "soft" adaptation measures focus on information, capacity building, policy and strategy development, and institutional arrangements (World Bank 2010c).

28 While the P-PC will invest primarily in SMEs, support to large scale agri-business will be provided where such investments meet project targets for poverty alleviation and employment generation.

**23.** Similarly, there are good examples of climate resilient poverty alleviation interventions implemented in the Mekong Delta by government departments and other development cooperation partners. As such, the AMD will scale up government, IFAD, and development cooperation partner initiatives that have been successful in building human, financial, physical, and environmental and knowledge capital as a means to build resilience from village to provincial levels.

**24.** The Quality Assurance review noted, however, that the IMPP project completion report found that: (i) value chain members were inadequately linked to lead firms; (ii) commodity production was not brought to scale with associated market quality control and trademark; (iii) commodity market coordination was weak; (iv) poor household participation, at 33%, was insufficient; (v) CIGs were starved of capital for growth and (vi) VBARD policies constrain their capacity to lend to CIGs. These issues will be addressed under the AMD by: (i) weighting competitive P-PC co-financing in favour of demonstrable poor household inclusion in the enterprise development plan and including pro-poor enterprise outreach tools as part of the co-financing; (ii) establishing a minimum quota (40%) for poor, women-headed and minority people (in Tra Vinh) household participation in CIGs and focusing CIG development on enterprise-led market opportunities; (iii) co-financing enterprise quality control, branding and marketing under the P-PC programme; (iv) better integrating AMD and NTP infrastructure and support service financing at commune and district level through more market-led planning processes; and (v) establishing a commercial microfinance lender and, noting the new liquidity in both VBARD and VBSP, building linkages between the local VBARD and agro-enterprises with national capital and business interests through annual workshops at provincial level.

**25.** The AMD scaling up strategy focuses on 3 main pathways: (i) province-wide replication of already tested climate resilient poverty alleviation interventions; (ii) participatory and applied testing of climate resilient alternative farming and livelihood models, and promote those found viable; and (iii) institute a policy discussion process for mainstreaming CC concerns into the SEDP process, for revising land-use zoning regulations, and for promoting the approach of adaptive management in other provinces in the Delta. The strong working relationship between IFAD and the authorities of the 2 provinces provides a sound basis for effective project implementation to achieve the scaling up strategy.

**26.** The major anticipated risk is the potential resistance of some stakeholders to accepting a largely non-structural and alternative approach to addressing adaptation to CC in the Mekong Delta. There is, however, a growing consensus among the research community, development partners and also, some PPC members, for developing an approach that encompasses the potential for defending against, living with, and withdrawing from CC impacts. As such, the AMD will establish partnerships and forums for stimulating informed and transparent discussions on what such an approach should look like. This will help broaden the discussion to include non-structural approaches, endogenous adaptation responses and pro-poor adaptation pathways. Through this process, a critical mass can be established that provides a counter weight to the structural emphasis currently being promoted.

## **B. Project description**

### **A. Project area and target group**

**27.** The project will be implemented in Ben Tre and Tra Vinh provinces in the north-east Mekong Delta Region of Viet Nam. Agriculture and aquaculture currently constitutes the main source of income for the two provinces although industry, construction and tourism are on the rise. The main crops cultivated are rice, coconut, fruit trees (mango, longon, durian, etc.), banana, sugarcane, vegetables and, more recently, cacao. Extensive shrimp farming is prevalent in the brackish-water coastal areas while catfish aquaculture is practiced upstream in fresh water areas. Livestock production is mainly centred on cattle and poultry with significant room for expansion. There is minimal post-harvest processing undertaken in the two provinces. The off-farm income generating activities for the poor are tied to employment in garment and footwear manufacturing, small-scale food

processing (fish drying, tailoring, broom manufacture and basket weaving enterprises, tree seedling and production of ornamental plants, cashew nut shelling, and salt production).

**28.** Thirty communes have been selected in each province based on their poverty ranking, vulnerability to CC impacts and overlap with the NTP-NRD programme. The selected communes are also located along a salinity gradient and provide a good opportunity to test alternative livelihood models along this gradient. Details of the priority communes are contained Working Paper 2, Appendix 1.

**29.** The AMD project will ensure a strong focus on poor and near poor rural smallholder farmers, household enterprises, CIGs, cooperatives and small and medium enterprises (SMEs). The implementation success in the previous projects for the promotion and inclusion of the private sector will be enhanced. The approach of the proposed project will include: (i) strengthened pro-poor targeting; (ii) an improved knowledge base and knowledge management systems; (iii) improved climate-informed market oriented planning at local and provincial levels; (iv) identification and scaling-up of proven adaptation approaches and technologies; (v) increased private sector participation in provincial socio-economic development planning and market development; and (vi) enhanced job skills training through private sector models, linked to local on- and off-farm employment generation.

**30.** The AMD Project will address the financing gap for investments aimed at providing resilience and adaptation to extreme climatic and other naturally occurring calamities at the household, commune and enterprise levels. It will support farmers' adaptation through appropriate co-financed investments, under-pinned by extension and participatory and applied research as required. Institutional capacity will be built by informing the provincial planning process with risk mitigation measures against negative CC effects. The results of these plans and implementation lessons will be communicated to the national level for incorporation into investment plans, national targeted programmes and other agriculture and rural development (ARD) related policies.

**31.** Project Target Groups. Female-headed households will be prioritised among the following target groups:

- (a) Rural poor households without land or other productive assets.
- (b) Rural poor households with land or aquaculture resources.
- (c) Ethnic minority households, most notably the Khmer ethnic minority groups resident in Tra Vinh, who lack income, skills and other factors of production. and
- (d) Households just above the poverty threshold.

**32.** Considering the complexity of the development challenges associated with ethnic minorities, special attention will be paid to engage them in project activities. In the project communes in Tra Vinh, Khmer people constitute, on average, 24% of the total population. While the previous IFAD supported project has made good progress in orienting this group towards sustainable development, they nonetheless require continued support and specially designed interventions to enable their full participation in the project.

**33.** The landless in the project area, who are typically minority people, survive by selling their labour to other farmers and businesses, are particularly vulnerable to the effects of CC. There is already a discernible trend whereby they suffer big reductions in income when their employers are affected by climate shocks. They will be specifically targeted through the provision of vocational training to equip them with the skills to participate as well-remunerated employees of small enterprises, and with investment funds to enable them to launch micro-enterprises suited to their limited resource base. They will also be trained to construct commune-level climate-adapted infrastructure.

**34.** Poor and near-poor women and women-headed and minority households face greater obstacles in escaping poverty. These include barriers to participation in commercial activities, less access to factors of production and time constraints imposed by cultural and domestic factors. In addition, they have a general lack of business planning knowledge, farm management and technical skills. In addition to specific interventions that engage women, continued emphasis will also be placed

on the participation of women in the SEDP process, with a mandated 40% women's participation at village, commune and district level planning discussions. In Tra Vinh, at least 40% of VDB membership should be from minority communities.

## B. Development objective and impact indicators

**35. The Goal** of the project is the achievement of “sustainable livelihoods for the rural poor in a changing environment”. **The Objective** of the project is the “strengthened adaptive capacity of target communities and institutions to better contend with CC”.

**36. The main impact indicators at the goal level** will be:

- (a) 40% reduction in the prevalence of child malnutrition<sup>29</sup>
- (b) 30,000 poor and near poor households with at least 25% improvement in household assets ownership index<sup>1</sup>
- (c) 60% reduction in income poverty in project communes (differentiated data for poor/near poor, ethnic minority & women-headed households)<sup>30</sup>

**37. The main impact indicators at the development objective level** will be:

- (a) 100% of provincial communes and districts effectively implementing annual climate-informed, participatory market oriented planning for demand-driven rural development public investment<sup>31</sup>
- (b) At least 30,000 poor smallholder household members whose climate resilience has been increased 30% (gender and ethnic minority disaggregated).<sup>32,33</sup>
- (c) At least USD 30 million invested in profitable climate resilient infrastructure, farming systems and enterprises in project communes.

## Outcomes

**38.** The main anticipated outcomes from the AMD include: (i) communities and institutions have the capacity to effectively respond to the impact of CC; (ii) CC considerations integrated into SEDP processes (iii) increased and more inclusive financing for market oriented, climate smart agriculture and agri-business investments; and (iv) economically viable climate resilient farming, aquaculture and other livelihood options are widely adopted.

## C. Components

**39.** The project comprises two inter-related components with supporting sub-components and activities. The two components are: (i) Building Adaptive Capacity; and (ii) Investing in Sustainable Livelihoods.

### COMPONENT 1: BUILDING ADAPTIVE CAPACITY

**40.** Component 1 aims to *develop a comprehensive agriculture sector climate change adaptation management framework, operating with participating communities, institutions and provinces*. It consists of two provincial department-led sub-components: (a) CC knowledge enhancement; (b) Climate-informed planning. These sub-components build on work already undertaken by research institutions, development partner agencies and IFAD's own experience. The AMD project will fill in gaps in knowledge on developing viable livelihood options in the face of increasing salinity, temperature and water stress, and make CC concerns explicit in the planning and resource allocation processes at the provincial level.

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29 Mandatory RIMS indicator as per DEPOCEN. 2012. *M&E Manual Guide for IFAD Funded Projects in Vietnam*. Hanoi. 10/2012. IFAD/Vietnam: *Managing For Impact in Rural Development*. 196 pp.

30 Indicator from COSOP & National Target Program for New Rural Development (*Tam Nong*)

31 Effectiveness will be measure in terms of achievement of annual targets: e.g. level of – enterprise investment, poverty reduction, public infrastructure development, production/productivity improvement, etc. This data is collected by the Statistical Office and can be aggregated by DPI.

32 Indicator from ASAP

33 The AMD will explore the incorporation of the FAO Resilience Tool (<http://www.fao.org/docrep/013/al920e/al920e00.pdf>) questionnaire into the RIMS baseline survey. As this is a rapidly emerging field, the role of other resilience measuring tools will be explored closer to project inception.

### **Sub-component 1.1 – Climate Change knowledge enhancement**

**41.** This Sub-component consists of three activities: (a) Building an evidence base for adaptation (b) Water quality monitoring and reporting and (c) Knowledge management and dissemination. The key investment activities of AMD under Sub-component 1.1 are described below.

#### **Building an evidence base for adaptation.**

**42.** At project start-up, a research prospectus will be compiled through a DARD-led and Tra Vinh University (TVU) assisted gender and minority people sensitive farmer and scientific survey, to identify the core set of research topics that need to be addressed, both locally through Participatory Action Research (PAR) and along the salinity gradient (see para. 44) through an applied research program.

**43.** The project will support DARD to develop PAR processes based on joint (DARD-community) reflection, data collection and action that aims to improve productivity through involving the people who, in turn, take actions to improve their own condition. DARD, through PAR processes, will monitor, evaluate and promote appropriate endogenous adaptation responses being practiced by farmers and aquaculturists, and test and promote resilience building measures identified by communities.

**44.** In addition to endogenous adaptation responses being practiced by farmers, a number of Vietnamese institutions, including TVU, have been piloting adaptation and resilience building measures in the Mekong Delta. Several interventions have the potential for scaling up, but require further evaluation through adaptive research. In this regard, the project will work with TVU and DARD to undertake the following activities:

- (a) Building off the PAR process, endogenous and other adaptation responses will be compiled assessed for scaling up and further evaluated through adaptive research. The TVU, with regional research institute support, will collaborate with DARD to implement this activity.
- (b) A number of climate resilient adaptation innovations and farming models (e.g. intercropping of coconut, cacao, citrus, bananas and other saline tolerant crops including vegetables) will be deployed along a salinity gradient for building a knowledge base on what livelihood activities are possible under specific salinity concentrations. The on-farm demonstration sites, to be developed with existing and new CIGs, will provide farmers with practical ideas on how to deal with this challenge together with a menu of alternative crop models and livelihoods to which they can shift as ground realities change.
- (c) To inform the design of the above models a set of targeted studies will be undertaken to answer questions that require further understanding. Currently, considerable research is being undertaken on saline tolerant rice varieties in the Mekong Delta, but there is little research on other saline tolerant crops. In this regard, adaptive research on other saline tolerant crops that have good market value and are suitable for cultivation in the Mekong Delta will be undertaken. Similarly, adaptive research will be undertaken on techniques and approaches for improving crop irrigation and soil salinity management.
- (d) Extensive brackish water aquaculture is an important pro-poor technology requiring further adaptive research to raise productivity and reduce environment impact. The AMD will implement a set of interrelated activities for building the sustainability of brackish water aquaculture including: (i) participatory development of best management practices (BMPs) and their sub-sector wide deployment; (ii) enhancing the quality and production efficiency, and scaling-up of backyard shrimp seed hatcheries; (iii) the establishment of seed quality testing and certification facilities to reduce incidences of disease and (iv) research into the use of aquaculture pond sludge as an organic fertiliser, with a view to reducing its discharge into waterways and consequent water quality, nutrient load and sedimentation impacts.

**45.** TVU has already embarked on a substantial applied agriculture research programme that can be expanded, made more climate-sensitive and brought closer to beneficiary communities in its implementation. The university is also conducting aquaculture research, particularly on prawn/shrimp production. The project will support the development of TVU as an inter-provincial centre of research in CC adaptation, particularly in the agriculture and aquaculture subsectors. This will embrace fish

breeding, including the use of molecular markers. The development of applied adaptation research capacity at TVU will be the subject of an independent study during 2014, leading to a project investment in staff capacity development, research infrastructure and equipment, recurrent applied research funding and technology promotion, commencing in 2015.

**46. Salinity monitoring and forecasting.** DoNRE in Ben Tre and Tra Vinh and the Hydro-meteorological Department of the Ministry of Natural Resources and Environment (MoNRE) currently hand-collect salinity monitoring information for water management decision making at the provincial level. The DARD Irrigation and Drainage Companies (IDCs) for each province complement this data with data obtained by sluice operators and by farmers. There is no real-time salinity decision making information that water systems managers, farmers and aquaculturists can access. At the farm and fish pond levels, decisions are made primarily by tasting the water. This method is not accurate nor does it allow for decision making based on forecasting of salinity concentrations and movement along water courses. Furthermore, sluice gate management is undertaken on an ad hoc basis, regularly leading to inadvertent salinity intrusion. The Southern Institute for Water Resources Research (SIWRR) and Southern Institute for Water Resources Planning (SIWRP) in HCMC are tasked with studies and planning often related to CC. These agencies implement a number of donor-funded projects and use a mix of data obtained from provinces and self-acquired data. Can Tho University (CTU) is another key player with experience on a wide range of topics, from monitoring to adaptation pathways. None of these institutions have significant programmes in the AMD project area. There is a clear need for a more scientifically informed and managed salinity monitoring and forecasting system that will provide both real-time and forecast salinity data for decision support to farmers, aquaculturists and sluice gate managers, enabling real-time decisions on when to irrigate crops or refresh pond water and, over the longer-term, on investment decisions as areas begin to consistently exceed salinity thresholds.

**47.** This project proposes the development of **a real-time salinity monitoring and forecasting system comprising** a network of 60 automated salinity monitoring stations, a network of up to 2000 CIG farmer monitoring points, and a central platform for data storage, processing and dissemination. The single, multifunctional platform with extended dissemination capacities will also incorporate data from the MRC information system for forecasting, especially geared towards information use by smallholder farmers. The multifunctional data platform will be established in partnership with other donors and government institutions, elaborating on existing platforms. The system, which will be designed with priority for farmers in those areas where adaptation to increasing salinity is most urgent, will enable better adaptive water management, both by farmers and by engineers, allowing higher and more secure agricultural and aquaculture production. The system will warn farmers of inadvertent salinity intrusion, allowing for adaptation at field level and will enable a more objective assessment of the consequences of longer-term salinity control measures on smallholder farmers, thereby raising their voice and providing a foundation for further action. The AMD will finance:

(a) Up to sixty new automated salinity monitoring stations in Ben Tre (30) and Tra Vinh (30), linked to a salinity multifunctional data platform using telemetry for data transfer.

(b) A multifunctional platform with extended dissemination capacities, to be developed with interested partners<sup>34</sup>. It would integrate real-time upstream river flow data from the MRC, allowing forecasting of salinity concentrations along the river system for as many days in advance as is technically feasible. This predictive capacity for movement of the saline gradients would improve both the management of sluice gates and the decisions made at farm level.

(c) Up to 2,000 farmer CIGs will be provided with simple technology to monitor water salinity at the farm level. This information will be sent by text message to a central data base that will both be integrated into the aforementioned multifunctional platform and report salinity levels to local farmers via text messaging.

(d) During project implementation a cost recovery modality to sustain the automated system monitoring system will be developed to ensure continuity upon project closing.

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<sup>34</sup> The Appraisal Mission held discussions with Can Tho University and the World Bank on collaboration in the development of a multifunctional data platform.



**48.** A pre-project study<sup>35</sup> should be financed to complete the design of the salinity monitoring system and plan the approach to developing the multifunctional data platform. ToR are detailed in Appendix 1 of the Salinity Monitoring Report in the Project Life File (PLF). The project will finance the purchase of equipment, software, consultant services, technical assistance, studies, small infrastructure works, training and workshops, as well as, initial operation and maintenance costs for the establishment and operation of the system over the first 4 years of project implementation, after which the system will self-fund through the sale of water quality and forecasting information.

#### **Knowledge management and dissemination**

**49.** The effective management and dissemination of knowledge and information generated by Sub-component 1.1 will be necessary both for building adaptive capacity at community and institutional levels and to bridge between adaptation research, on the ground investments and the integration of CC concerns into planning and budgetary processes. To that end, the project will finance a program for systematically capturing learning and placing it at the disposal of all relevant end-users within the project provinces and beyond. Specifically, the project will finance:

(a) The formation and operation of an inter-provincial Thematic Ad Hoc Group or “TAG” on CC adaptation to provide linkages between knowledge development and institutional end users (government, private sector, ODA, NGOs, CIGs, enterprises, etc.). The TAG will function as an advisory group for orienting and guiding the development of knowledge products and the strategies for their dissemination.

(b) The organization of inter-provincial end-user/stakeholder groups for specific production models and high value research. The role of these groups will be to serve as a reference group to orient researchers and technical staff, as well as to contribute to the evaluation of the utility and practicality of the outputs and recommendations generated by the adaptive and participatory action research and field demonstrations.

(c) To enhance the learning value from successful research and production/technology models and pilots, a communications company will be contracted to work with the DARDs and the development teams to capture and systematize the knowledge outputs in formats readily accessible to different audiences. This will include the development and publication of technical manuals and guidelines and popular learning series (e.g., popular publications, videos, radio programs, extension materials etc.).

(d) The Training of Trainers (ToT), including CIG leaders, for the replication and scaling up of successful technologies and approaches for pro-poor, CC-adapted systems.

(e) Different forms and formats for dissemination of results including farmer-to-farmer extension through trained CIG leaders, learning events (workshops, technical “fairs” & exhibitions, etc.), field visits and study tours for technical staff and decision-makers, and the costs for presentations of results at national and regional conferences and events.

**50.** For the above, the project will finance the purchase of technical assistance and communications company services, printing and publications, translations, training and workshops, and travel and operational expenses.

#### **Sub-component 1.2 – Climate-informed planning**

**51.** This DARD/DPI implemented Sub-component consists of two activities: (a) Community based adaptation and disaster risk management planning; and (b) Climate-informed socio-economic development planning and policy development.

**52.** In the last five years IFAD-supported projects have successfully developed, piloted and institutionalized new instruments, important to the rural poor, for “market-oriented socioeconomic development planning” and for the “climate proofing” of value chains. The AMD will build on IFAD’s experience and deploy a systematic process for mainstreaming CC concerns into the planning and budgetary allocation processes. Such policy, institutional and process-related interventions will take

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<sup>35</sup> Estimated cost of USD 120,000.

several years to fully develop and effectively applied to ensure pro-poor, climate-informed, public and private investments. Fortunately, while the scenarios of salinization, SLR, rainfall and temperature are looming, there is time to get the planning process right. Without very significant advances in policy, institutional frameworks and processes in the near future, however, the consequences are likely to be quite negative. The key investment activities of AMD under Sub-component 1.2 are described below.

### **Community based adaptation and disaster risk management planning**

**53.** This sub-component will build community and institutional capacity to undertake gender-sensitive, community-based adaptation (CBA) and disaster risk mitigation (CBDRM) planning. The CBA/DRM programme will be built on a strong local evidence base, supported through Participatory Action Research (PAR). In project communes, CC Participatory Scenario Development (PSD), vulnerability assessments and land-use planning using geospatial data systems will be undertaken for developing the commune and district level plans, as well as for raising awareness of anticipated CC impacts among local communities. The approach will focus on strengthening adaptive capacity at the household and individual level by building resilience of livelihoods and reducing disaster risks, particularly for the most vulnerable groups. Drawing extensively on the experience of government and NGO-led programs in some Ben Tre, Tra Vinh communes, and in surrounding provinces, the project will support the development of tools, guidelines and frameworks for integrating CC adaptation/mitigation elements into the SEDP planning process at commune and district levels for province-wide use, particularly in preparation for the 2021 – 2025 SEDP planning process.

**54.** The CBA/DRM process will, through a village-based program of climate vulnerability and capacity analysis, gender and power evaluation and PSD, develop an understanding of long term aspirations, vulnerable groups, vulnerability to CC, economic opportunities, local institutions, power dynamics, and gender tensions, relations and norms. Villages will then formulate village level, community-based adaptation plans that will feed into SEDP and investment planning processes. The knowledge, capacity and networks generated by the CBA/DRM will help the AMD to identify the most efficient and effective ways to enable adaptation by the most vulnerable people. The AMD will use these practical experiences to inform investment at the household and enterprise level and policy recommendations on adaptation funding mechanisms at provincial and national levels.

**55.** The CBDRM programme, which will be underpinned by the national, MARD-led CBDRM program, will provide for the participatory development of a local vision (mapping) of the potential for development and use of natural resources, including associated constraints i.e. vulnerability and risks. Following the Hyogo Framework for Action, the AMD will, using gender and diversity sensitive approaches, integrate disaster risk reduction into SEDP planning at commune, district and provincial levels, develop and strengthen institutions, mechanisms and capacities to build resilience to hazards and systematically incorporate risk reduction approaches into the implementation of emergency preparedness, response and recovery programmes. Community-based infrastructure investments will contribute to strengthening disaster preparedness and reducing the underlying risk factors.

**56.** The AMD will: (i) establish CBDRM working groups in participating communities; (ii) develop participatory community-level hazard and vulnerability maps; (iii) prepare annual community-level plans on disaster prevention, response and management, including CC concerns; (iv) support the annual update of hazard and vulnerability maps; (v) enable community monitoring of DRM activity implementation; and (vi) co-finance small-scale works for disaster prevention, response and management in the community. The Project will also provide capacity building for local government staff at all levels on managing and implementing CBDRM activities, comprising among others, training courses on CBDRM policy, mechanisms and implementation guidance for trainers, agencies, and local staff; training of CBDRM trainers and; capacity building programs on CBDRM for local authorities. The integration of CBA and CBDRM into commune, district and provincial planning processes is described below.

### **Climate-informed socio-economic development planning and policy development.**

**57.** There is clarity at provincial and district-levels and by the line agencies (DPI, DARD, DoNRE) that the principal tools available for public sector response to CC is the integration of CC risk and vulnerability concerns within: (i) the 2016-2020 and 2021-2025 SEDPs, through the sectoral and sub-sectoral master planning processes at province and district-levels; and (ii) through the annual SEDP planning cycle for the identification and prioritization of investments at the commune and district-levels, based upon participatory and decentralized processes. There is, however, limited knowledge on how this may be done in practice. The AMD project will thus undertake the following activities:

***Integration of climate change concerns into the Provincial SEDP 2016-2020 and 2021-2025***

**(a)** Support DONRE, DARD and DPI to integrate CC concerns into the next two Five-year Socioeconomic Development Plans for the project provinces. The impact of this activity will transcend the project to the level of the two provinces and, to a degree, nationally as the provincial proposals must be agreed at the national-level and ultimately approved by the National Assembly. The window of opportunity to contribute to the SEDP 2016-2020, however, is fairly narrow. If the project is to support integration of climate risk and vulnerability concerns in master plans in time for inclusion in the 2016-2020 plan it will need to: (i) initiate some activities through pre-project financing; (ii) focus on a limited number of subsectors; and (iii) substantially complete supporting processes and studies before 30 June 2015. The 6-year project duration will allow a substantive project contribution to the SEDP 2021-2025.

**(b)** Assist DoNRE to strengthen the Provincial Climate Change Action Plans for 2016-2020 and prepare a comprehensive plan for the period 2021-2025. Support will be provided to: (i) evaluate implementation of the 2011-2015 Action Plan; (ii) consult with key stakeholders (government, line agencies, ODA, NGO, private sector, people's organizations, etc.) and enable their participation in the development of the strategy, priorities and needs for the next period; (iii) carry out supporting studies; and (iv) to broadly disseminate and enhance awareness of the Action Plans, their content and implications. For the latter, the project will support the development and publication of the Plan, brochures for popular audiences, newspaper articles and radio programs, and a series of dissemination workshops at the Provincial and District-levels.

**(c)** Support to DARD to: (i) update master plans for four priority subsectors in each Province (e.g., rice, aquaculture, livestock, and irrigation) in order to incorporate CC concerns and impacts; and (ii) strengthen the Provincial Agricultural Sector Climate Change Action Plan for 2016-2020 and prepare a comprehensive plan for the period 2021-2025. Support will be provided to DARD for undertaking an advocacy campaign and consultative process similar to that for the Provincial Climate Change Action Plans for 2016-2020 and 2021-2025 above.

**(d)** Assist DPI to integrate the DoNRE and DARD CC priorities articulated through their Action Plans and sub-sectoral master plans into 2016-2020 and 2021-2025 SEDPs. Training of DPI planning staff on CC issues, policies and programs will be the main focus. To that end, the project will finance training courses, workshops, and domestic study tours for DPI's senior-level and planning staff. In addition, resources will be made available for any priority studies or coordination/consultation workshops required by DPI in order to effectively incorporate CC concerns in the Provinces' next two five year SEDPs.

**(e)** The project will finance technical assistance and services, consultant services and studies, printing and publications, translations, training and workshops, and travel and operational expenses.

***Integration of climate change into medium and longer-term provincial planning processes –***

**58.** In the medium to long-term, the major opportunity for achieving effective and durable pro-poor responses to CC lie in synergistically combining concerns for disaster risk management and

adaptation to CC through local planning instruments and processes, i.e., the annual SEDP process. As such, the AMD project, building on regional and national approaches, will support the development, testing, validation and replication of guidelines and tools to ensure that local land use, infrastructure and economic planning processes for the SEDP are climate-sensitive. This process will be initially piloted in the 60 project communes and 15 districts, but extended to all 205 communes in the two provinces by 2019.

**59.** The learning and approach of the MoSEDP will be used for integrating CC concerns into the SEDP planning process. The climate-proofing tool for value chains developed under IFAD's IMPP project and the national Community-based Disaster Risk Management (CBDRM) approach are the relevant tools for use in AMD. The AMD will support the further refinement, testing, and deployment of both tools in collaboration with OXFAM and CARE international, as they have significant provincial and national experience with their Participatory Vulnerability Capacity Analysis (PVCA) approach and the Community-Based Adaptation toolkit respectively.

**60.** The framework for integrating climate risk and vulnerability concerns from the commune to the provincial level will have the following elements:

(a) Communes participatory community vulnerability mapping and scenario development (natural disaster, salinization, CC impacts); application of mapping in production and investment (SEDP) planning, NTP-NRD planning; linkage of village level planning and BMPs with commune-level vulnerability mapping-based zoning and SEDP planning and prioritization.

(b) District aggregation of commune-level vulnerability zoning into a district-level zoning tool for SEDP (including for the NTP-NRD and NTP-RCC) planning & prioritization.

(c) Province aggregation of district level SEDP planning and prioritization into formats useful at provincial-level for policy, setting of priorities, and development of response strategies.

(d) In those communes where the NTP-NRD and the project overlap, a single commune and district planning process will be used to avoid duplication and conflict and ensure complementarity of investment.

**61.** Based on the above framework the AMD project will support the following activities:

(a) Climate-informed SEDP planning, including: (i) formation of a "Climate Change Integration" TAG, under the direction of DPI, to provide for technical advice, inter-agency coordination and progress evaluation; (ii) a review of existing methodologies and experiences with commune-level CC planning; (iii) a series of technical/consultation workshops with relevant stakeholders at commune and district-levels; (iv) district-level diagnostics of ongoing adaptation, down-scaling of provincial-level, medium-term CC impact scenarios, and identification of vulnerable areas, production systems, and populations; (v) the development of a first generation methodology for commune-level SEDP planning; (vi) testing and evaluation of the methodology; (vii) development of a district-level zoning methodology, based on the commune CC and vulnerability risk planning; (viii) piloting and updating of the commune-level, CBDRM-based methodology; (ix) support for the participation of MARD's Disaster Management Center throughout the process to ensure incorporation of national-level learning into project actions and vice-versa; (x) development of a provincial-level methodology for integration into sectoral SEDPs of commune and district vulnerability mapping and zoning and (xi) key stakeholder workshops for review and evaluation of progress.

(b) Dissemination of outcomes and results, including: (i) the systematization of the process, procedures, required inputs and results; (ii) the development of training materials and methodological guides for replication; (iii) the training of trainers on the CBDRM-based methodology for commune-level SEDP planning, the value chain climate proofing tool and the district-level zoning and provincial-level integration approaches and methodologies; (iv) implementation of an awareness and dissemination strategy, including publications, brochures, newspaper, radio programs, etc.; (v) cross-visits for district and commune staff to

learn from the pilot areas; (vi) field visits and study tours for DPI planning staff; (vii) support for presentations on the experiences with integration of CC issues into SEDP planning at national conferences and events; and (viii) the publication of all results and documentation through the internet and web-based publications and journals.

**(c) Roll out and scaling up of commune and village-level participatory SEDP planning with CC integration**, including: (i) promotional campaigns and awareness raising for local officials and groups (e.g., Women's, Farmer's & Youth Unions, CIGs, SMEs); (ii) training of commune and village staff and facilitators; (iii) training of District staff; (iv) application of the village/commune participatory vulnerability mapping and scenario development for climate proofing of local public and private investments; and (v) application of the value chain climate proofing tool.

*Policy dialogue at provincial and national levels -*

**62.** Current strategies and planned responses to CC risk and threats in the agricultural and rural development sector<sup>36</sup> are primarily focused on hard, infrastructure investments to protect against flooding and saline intrusion in the coastal zones and deltas. On the policy and planning side efforts are focused on further assessments of potential CC impacts on ARD subsectors; integration of CC concerns into sector/subsector/local action plans and planning processes; and the development of programs and projects for mitigation, adaptation and sector development. There is, however, little explicit content or focus on vulnerable populations, facilitation of endogenous/autonomous adaptation by farmers and households and communities, on the need for hard adaptation measures that may be taken by individuals to protect their assets, or on soft interventions to support the building of local capacity for adaptation and to enhance the resilience of vulnerable communities to climate risk.

**63.** The AMD project will therefore focus its attention on providing support in order to widen and deepen government's approach to social vulnerability in CC policy, planning and investment. While the provinces depend in the first instance for policy support and guidance on the national-level, from the national-level there is also an imperative of decentralization of policy implementation and of accompanying the provinces in order to better understand the challenges, learn from provincial experiences, and adapt national policies and programs to meet operational needs on the ground.

**64.** The AMD project will provide support to provincial authorities for the following activities:

**(a)** Analysis and studies for: (i) policy dialogue with national-level decision-makers (e.g., cost/benefit of rice land allocation and/or other existing policies' impacts on potential for development of sustainable livelihoods in zones impacted by SLR and salinization); and (ii) orientation of provincial priorities for CC adaptation, especially "pro-poor" opportunities (e.g., policy barriers to autonomous adaptation for rural poor; cost/benefit case studies of pro-poor CC adaptation).

**(b)** Policy dialogue activities at provincial and national level, including support to the development and implementation of coordination mechanisms for the provincial adaptation agenda, such as: (i) an information clearinghouse for CC-related information and activities in the ARD sector; (ii) the development of cross-sectoral agendas for capacity building; (iii) knowledge management in the form of identification, documentation and dissemination of good practices and lessons learned; technical forums for advising policy-makers on priority issues; and (iv) high-level forums for key national, regional, provincial, ODA and FDI actors for policy discussions and coordination/leveraging of investment resources.

**(c)** At the provincial level, through the Climate Change Coordination Office (CCCO), the project will: (i) strengthen of the CCCOs (technical secretariats for the Provincial Climate Change Steering Committee (PCCSC)) in Ben Tre where one already exists and the establishment of a similar office in Tra Vinh; (ii) support the formation of a "Climate Change

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<sup>36</sup> The most immediate drivers of concern around CC impacts are associated with saline intrusion, scarcity of fresh water resources (surface and ground water), and in some areas, coastal and river bank erosion. The longer term drivers of concern comprise the above as well as increasing temperature, sea-level rise, and increased rainfall variability.

Policy” TAG, under the direction of the PCCSC, to provide for technical advice, inter-agency coordination and progress evaluation; (iii) finance policy-relevant analysis and studies identified by the PCCSC; (iv) strengthen information and communications through publication of policy advisory briefs (occasional), newsletters (quarterly), and publications on CC adaptation experience and learning; (v) finance high level forums for CC policy dialogue and coordination, including an Annual Inter-Provincial Forum and an Annual Provincial Climate Change Steering Committee Stakeholder Forum; (vi) finance technical forums, meetings and consultations for advising policy-makers on priority issues; and (vii) provide training for policy-makers, including domestic study tours and field trips.

(d) The CCCOs in both provinces will be supported through: (i) the design of a stakeholder management and coordination strategy; (ii) the design and setup of an information clearinghouse database for climate change-related information (e.g., a web-based database with information on relevant policies, directives, guidelines and action plans; relevant adaptation and mitigation projects, programs and investments; and a library of studies and analyses, etc.); (iii) IT equipment and software for the clearinghouse database; (iv) funds for the translation of key documents (especially policies and directives) for inclusion in the database; (v) an IT specialist/trainer and Communications/Networking specialist/trainer (for 2-3 years); (vi) minor equipment for dissemination purposes (e.g., digital video camera and audio recorder, digital camera); and (vii) operational expenses for transportation and per diems.

## **COMPONENT 2: INVESTING IN SUSTAINABLE LIVELIHOODS**

**65.** The objective of AMD Component 2 is *to increase the level of sustainable investments in Climate Change adaptation in Ben Tre and Tra Vinh Provinces*. It consists of two sub-components: (a) Rural Finance for Improved Livelihoods and (b) Investing in Climate Change Adaptation.

### **Sub-component 2.1: Rural Finance for Improved Livelihoods**

**66.** The objective of this sub-component is to increase financial inclusion and access to appropriate financial services for rural low-income people. Sub-component 2.1, which will be supported by two experienced PCU rural financial staff and short-term national and international technical assistance<sup>37</sup>, is organised in three inter-related activities:

#### **2.1.1: Establishment of New Savings and Credit Groups**

**67.** Under the previous phase of IFAD funding, the projects in both Ben Tre and Tra Vinh have supported the establishment of new women’s SCGs. These have been popular activities, and the impact evaluations have confirmed their positive influence on households and their incomes. In addition, the SCGs have served as a forum for the members to discuss new on-farm and off-farm income generating options for diversification and adaptation to CC impacts. Furthermore, according to various evaluations, SCGs have acted as a key women’s empowerment instrument across the IFAD-supported projects in Viet Nam.

**68.** To contribute to increased financial inclusion, support to the establishment of new women’s SCGs will continue under AMD. Instead of the relatively general focus of the previous support phase, the targeting approach of the AMD operations will rely on the following principles:

- Focus on poorer communes in both provinces
- Special emphasis on inclusion of women-headed households in the groups
- Focus on minority populations in Tra Vinh province.

**69.** Utilizing the above targeting approach during the 6-year project period, the following implementation targets have been set:

- In Ben Tre, 580 new SCGs with an average of 15 members established in the 30 AMD communes

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<sup>37</sup> ToRs for the PCU rural finance officer positions is detailed in the draft Component 2 Project Implementation Manual (PIM).

- In Tra Vinh, 560 SCGs with an average of 20 members established in the 30 AMD communes.

**70.** While slightly different implementation methodologies are used in the establishment of the new SCGs in the two provinces, AMD will provide a comprehensive support package to ensure a smooth implementation process in both areas.

**71.** In both provinces, the implementation responsibility for the establishment of the new savings and credit groups will be with the WU Social Fund. While the Social Fund is a new institution, the provincial WUs in the AMD provinces have extensive experience in the establishment of women's SCGs, with required manuals on how to do this. At the start-up of AMD, both the project, and IFAD directly, will provide substantial technical support and capacity building inputs to integrate the activities related to the establishment of the new SCGs into the organisational structures of the new WU Social Funds. The current WU manuals will also be further developed with the support of AMD-financed experts. A particular focus area will be to increase the savings-orientation in the groups, which requires urgent attention to increase self-financing and, consequently, the financial independence of the SCGs.

#### 2.1.2: Transformation of Credit Networks into Microfinance Institutions

**72.** This sub-component supports an innovative programme to develop women's SCGs and their networks into registered, sustainable microfinance institutions (MFIs). The target is to bring the thousands of women's savings and credit groups<sup>38</sup> under an institutional arrangement that will ensure appropriate supervision of these small financial institutions and create a sound and safe network for their institutional growth. At the same time, the transformation will open opportunities for linking mature groups and their members with financial institutions that have potential for larger scale financial intermediation.

**73.** In both provinces, the PPC has recently approved the establishment of a Women's Social Fund (WSF). The Social Fund will function as an apex financial institution for the WU's network of savings and credit groups in each province. In both provinces, the Social Fund operations are still at a planning stage and the actual financing operations remain to be started.

**74.** AMD will provide a comprehensive support package to develop the operations of the two Social Funds and transform them into professionally managed registered, independent, sustainable and province-wide MFIs by the end of the AMD. It is critically important that the AMD-supported MFIs should qualify for the "wider" MFI license, enabling them to collect voluntary savings from SCGs and their members. The key requirement is that the MFIs reach an institutional and operational status that will guarantee the safety of the collected savings. With active collection of voluntary savings, the MFIs could engage themselves in financing much larger-scale operations and play a catalytic role in the development of household enterprises and the whole rural economy in Ben Tre and Tra Vinh, without dependence on externally injected capital.

**75.** The main responsibility for the implementation of the support activities to develop WSFs into independent and eventually sustainable microfinance institutions will be with the senior management of these institutions. During the early stages of implementation they will require substantial support from both the PCU and, especially, from external experts. IFAD is currently financing international technical support for this transformation process, initially targeting Ha Tinh and Quang Binh provinces, the results and practical operational recommendations of which will directly benefit the planning and implementation of the transformation processes in Ben Tre and Tra Vinh.

**76.** With capacity building and investments in systems by AMD, the implementation responsibility will be progressively transferred to the elected governance body and appointed salaried professional management of the WSFs. The AMD PCUs will carefully, and on a continuous basis, monitor the progress of transformation in the WSFs against clearly defined outcome/output indicators. In the event the process falls behind the agreed schedule in the strategic plans, AMD/IFAD will provide additional

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<sup>38</sup> Under the umbrella of the WU, around 1,600 SCGs operate today in Ben Tre. They have received assistance either from FAD-supported projects or from other donors. In Tra Vinh, 1,170 groups function in the WU network.

expertise to re-align the process so that the achievement of the overall operational and financial sustainability targets are not jeopardised.

#### 2.1.3: Leveraging Capital for Adaptation and Value Chain Investment Activities

**77.** To substantially impact the rural economy and poverty alleviation, CC adaptation and rural value chain operations will require significant investment capital. The commercial banks in the two provinces are liquid and report having adequate own funding, including for medium and long-term investments. Importantly, most of the local commercial bank branches, including VBARD, are partners in the large national credit line operations of the World Bank (WB), which currently total around USD 500 million for rural loans and are expected to substantially increase in 2013. Further, both national and provincial Government interest subsidy schemes are operational in Viet Nam, often reducing interest rates on agro-loans by as much as 50% of commercial rates. Most local banks and all People's Credit Funds in Ben Tre and Tra Vinh have access to these credit and subsidy facilities to support their agro-lending.

**78.** In this situation, one key objective of AMD will be to pro-actively attract financing from various types of financial institutions to project-supported adaptation and value chain operations. Experience from elsewhere clearly shows that bank investments in rural projects is proportionate to their level of information of rural activities.

**79.** This advocacy and knowledge sharing is a continuous process and an integral part of the project management work. One specific AMD investment in this area is to support Provincial Agro-Finance Workshops in Ben Tre and Tra Vinh, to bring key local, regional and national financiers, agro-enterprises, donors, and producers' representatives together and to share information on various types of financing options for value chain participants in the province. The organising of the bi-annual Provincial Agro-financing Workshops in each province is the responsibility of the respective PPCs, the Project Directors (PD) of AMD and the two rural finance specialists/officers in the PCUs. In this task, they should actively cooperate with local and regional financial institutions and agri-business companies to create and implement an interesting workshop programme.

#### **Sub-Component 2.2: Investing in Climate Change Adaptation**

**80.** The objective of the Investing in Climate Change Adaptation sub-component is *to enable communities, rural households and agri-business to create/protect income and employment through investment in CC adapted production, processing and market technologies and opportunities*. Sub-component 2.2 consists of three activities:

##### 2.2.1: Community Infrastructure for Climate Change Adaptation and Disaster Risk Reduction

**81.** Public Infrastructure Investment grants of USD 133,000 per commune (including local contribution) will be available for infrastructure items normally considered as public goods, that are judged essential to CC adaptation or disaster risk management at commune level, including items such as, *inter alia*, disaster-secure access roads, secondary or tertiary irrigation or drainage structures for salinity control, erosion protection and soil management, sanitation and waste management, renewable energy or fresh water supply. Wherever possible, local labour, particularly youth and minority people, will be used for works construction, supported by vocational training when required (see para. 89). The community contribution will be at least 10% of total construction costs of public infrastructure works. Individual public infrastructure investments will not exceed USD 60,000 without prior agreement with IFAD.

**82.** Community infrastructure investment schemes will be identified and prioritized during the annual commune SEDP process (see para. 61) and, with consultant support where required, verified by the district line agencies in collaboration with the PCU before approval. Where possible, project funding will be blended with funding from NTPs. Community People's Committees (CPCs) will be the owners of community infrastructure projects, however, VDBs<sup>39</sup> in benefitting community will be responsible for managing the implementation of the public investment. VDBs should have at least:

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<sup>39</sup> Village Management Boards are established under the NTP-NRD.



40% female membership; 40% membership from DoLISA registered poor households<sup>40</sup>; and, in Tra Vinh, 40% representation of minority communities. Beneficiary communities will be required to demonstrate an ability to support associated long-term operation and maintenance costs. The Competitive Small Grants Manual, developed by the IFAD Viet Nam Country Office, will form the basis of the PIM for this activity.

#### 2.2.2: Co-financing for Climate Change Adaptation

**83.** There is a recognised need in Ben Tre and Tra Vinh provinces for households to invest in production systems adapted to CC impacts, energy efficient farm equipment and renewable energy technologies that could sustainably increase household income.

**84.** Such shifts in production can involve substantial costs, including delayed yields with resulting lost income that may constrain investment in improved resilience. To support and accelerate this climate-informed investment process, AMD will provide co-financing for CC adaptation investments by poor and near-poor households. Recognising that women are often the most vulnerable to CC impacts, while also having unique capacities and knowledge, and that CC is influencing gender dynamics at community level, AMD will place a particular focus on inclusion of women and ensuring greater gender equality in adaptation investment decision making. Based on detailed project proposals by participating farming households, household enterprises and cooperatives, AMD will approve, on a competitive basis, co-financing that could cover up to 50% of the costs of each investment up to a maximum amount of VND 30 million (around USD 1,430) per household. If the households apply for co-financing through a small cooperative, the maximum AMD grant to such a cooperative is the number of benefiting members times VND 30 million. The total grant amount per any cooperative cannot, however, exceed VND 750 million (around USD 36, 000).

**85.** While the AMD co-financing could finance a maximum of 50% of the project costs, the co-financing recipient will finance the rest from his/her own resources or through a loan from a financial institution. Contribution in kind will not exceed 30% of the total investment. The 20% cash/loan contribution is important to ensure the commitment to and ownership of the investment by each beneficiary. Both VBSP and VBARD have expressed enthusiasm to participate in this joint financing scheme, which could be linked to the capitalization they received from the IFAD loans under the previous project phases. To improve the likelihood of investment success, co-financing recipients will receive technical support from the AMD technical staff and public and private technical sectoral support organisations in the province.

**86.** Overall responsibility for the Co-financing for Climate Change Adaptation activity in both provinces will be with the AMD PDs, supported by the two Rural Finance Specialists/Officers and the senior staff of the PCU, who work on the promotion of the CC resilient farming models. The co-financing for Climate Change adaptation will be processed through the AMD functionaries and staff at the commune, district and provincial levels. In Ben Tre province, the final decisions on grant approval will be made by the district project offices. In Tra Vinh province, the final decisions on grant approval will initially be made by a sub-committee to be established in the AMD PCU, with responsibility transferred to district level as capacity builds. The proposals for the AMD co-financing will be screened concerning both their environmental appropriateness and their longer term financial viability. As a part of the AMD start-up activities, detailed eligibility and competitive selection criteria, procedures and rules for the co-financing will be documented in an Operations Manual for Co-financing for Climate Change Adaptation.

#### 2.2.3: Public-Private Collaboration in a Changing Environment

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<sup>40</sup> Some flexibility is advised here as in some communities the proportion of DoLISA registered poor households is low. A strict application of this conditionality may make establishment of VDBs impossible in some communities. It may be appropriate in such cases to adjust the percentage of poor household representation by the poverty index in specific communes. For example if the poverty index was 0.5 or greater for a 10 person VDB there is an expectation that at least 4 members will be from DoLISA registered households. If however the poverty index was 0.2, the expectation will be that at least 2 members will be from DoLISA registered households. In any event there should be a minimum of 2 members of the VDBs from such households. Similar logic could be applied to membership of CIGs.

**87.** A Public-Private Collaboration (P-PC)<sup>41</sup> facility will co-finance investment by private businesses in support of climate-informed value chain development and rural employment generation. The PCU-managed P-PC facility will encourage private sector investments in Ben Tre and Tra Vinh by co-financing up to 49% of investments in quality input supply for and raw material marketing/processing of products from adaptive farming systems (tree crops, aquaculture, vegetables, livestock, etc.), resulting in increased income and job opportunities amongst poor and near-poor households. Co-financing will start at USD 15,000 as a minimum and, initially, reach USD 60,000 as the maximum. The P-PC will be reviewed regularly and the grant amount adjusted based on co-financier performance. The AMD will provide approximately USD 4 million (including co-financing) for P-PC facility financing. All investment proposals will be consistent with the CC adaptation investment opportunities identified by the DARD sub-sector studies (Sub-component 1.1). For each selected sector/sub-sector a value chain Strategic Investment Plan (SIP) will be prepared. The SIP will list the potential types of investments eligible for P-PC support and each type of investment will be accompanied with a realistic business model/financial analysis. The SIP will be used as the framework for calling entrepreneurs to express their interest for investment in Ben Tre and Tra Vinh.

**88.** Only legally registered cooperative societies and companies of at least 24 months standing will be eligible to apply. Entities that are the subject of bankruptcy, criminal investigation, fraud, corruption or are in default of contractual agreements will be ineligible<sup>42</sup>. P-PC investments will be awarded on a competitive basis for capital investments in civil works, equipment (processing, packaging, energy generation or environment protection), transportation and marketing, related directly to the core activity of the investor. The competitive allocation of P-PC co-financing will be weighted toward lead firms that integrate poor households into their value chains and contribute in excess of the 51% minimum. The PSC will be responsible for adopting recommendations for P-PC investments, which will be approved by the PPC. Poor people benefit — income, jobs, value added products, and productivity and market access and gender equality — will be important criteria in investment proposal evaluation, together with commercial viability, environment impact and cost effectiveness assessments. The investment supported by P-PC shall assist a minimum of 1 rural household per USD 500 of co-financing e.g. total P-PC co-financing of USD 50,000 should provide direct tangible benefits to a minimum of 100 rural households including 40 poor, women headed or minority households. The P-PC programme will be underpinned by a technical, business management, accounting and Information Communication Technology (ICT) capacity building program for District and Commune level businesses with a view to improving their farmer service capacity, profitability and enterprise linkages, both at local level and to upstream quality suppliers and markets. It is recommended that the provincial Enterprise Associations mentor this programme. The process for the award of P-PC grants is detailed in Appendix 4 and the IFAD Viet Nam Agribusiness Promotion Investment Fund (APIF) manual.

**89.** Rural youth and minority people will also be targeted for vocational training in (i) skills needed to support agri-business investment financed through the P-PC Facility. This programme will be developed in partnership with the provincial Enterprise Associations and could be publicly or privately delivered.; and (ii) skills that could be quickly developed or applied through an employment-linked community-based public infrastructure program, planned under the MoSEDP process and funded through both project and NTP resources. Community infrastructure vocational training could focus on

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41 FAO is providing technical support to a MARD/Development Partner PPP Policy Task Force (which includes IFAD) and has been assisting the Planning Department of MARD to draft a concept note on “Public-Private Collaboration (P-PC) for Sustainable Development in Vietnamese Agriculture”. Within this framework, P-PC is defined as the umbrella term for “either formal or informal arrangements with varied divisions of responsibility between government and private entities...which may include smaller private companies, farmer cooperatives or community groups working on joint initiatives with particular government agencies”. PPPs are defined as a subset of P-PC, which “involves a joint venture or other formal contractual arrangement between a government entity and one or more private company with clearly specified distribution of roles, costs, revenues and financial risk, operating within a specific legal and regulatory framework”. Once finalized, the aforementioned note will provide guidance to the AMD P-PC process.

42 The P-PC Implementation manual will contain a detailed list of entity eligibility and exclusion criteria> The manual will be based on the IFAD Bac Kan Pro-poor Partnership for Agro-forestry Development Project Agribusiness promotion Investment Fund (APIF) manual.

such skills as concreting, carpentry, road levelling and surfacing, brick laying, semi-skilled machine operation, painting and public infrastructure maintenance. The AMD will only finance such training where it is not already available through DoLISA.

## **D. Lessons learned and adherence to IFAD policies**

**90.** The key lessons from the on-going portfolio include:

(a) That the effective application of participatory, MoSEDP processes in poor province's needs: (i) coordination among agencies through PCUs and technical task forces; (ii) staff capacity building ; (iii) integration of market information and VC analysis in the SEDP process; and (iv) private sector participation in the planning process.

(b) Poverty targeting and gender mainstreaming under the market-oriented approach can benefit poor rural women and men through: (i) selection of pro-poor market and VC interventions that create employment and relevant production, processing and marketing systems for poor people; (ii) farmer-to-farmer extension and increased use of appropriate climate responsive technologies; (iii) vocational training opportunities in both farm and non-farm skills for poor households, targeting youth, ethnic minorities and women; and (iv) market-based infrastructure and improved connectivity in remote areas.

(c) For the empowerment of ethnic minorities, and particularly ethnic women, engagement in community decision-making, representation in local institutions, off-farm employment opportunities, women's land-use entitlement, and women's SCGs for investment have proven to be successful in the on-going IFAD portfolio.

(d) The voluntary development of common-interest groups (CIGs) can promote the transition from subsistence- to commodity-oriented production and serve as a foundation for poor people to cooperate with better-off groups and private business, including through farmer-to-farmer extension. Improved collaboration with mass organizations, such as the Viet Nam Farmers' Union (VFU) and WU, and with key farmers in facilitating CIG development has been shown to work. CIGs with access to credit and women's SCGs have been most successful in this context.

(e) Private stakeholders drive the development of markets and value chains and investment in agriculture input supply, production and processing, including in poor areas, where: (i) legislation and policies are in place that enable private sector activity and strengthen its competitiveness and transparency; (ii) capacities of province and district staff for private-sector promotion are available; and (iii) access to finance, business and technical skills and market information is possible.

(f) Partnering with the small- and medium-scale private entities can impart much-needed technologies and business skills to smallholders, in turn opening markets for them.

**91.** Specific lessons from the implementation of the IMPP and DBRP are: (i) climate change is an urgent issue in the region; (ii) the P-PC model now being implemented needs further support in terms of institutionalisation, financing and capacity building for the implementers; and (iii) decentralised implementation agencies require further capacity-building support to enable them to assure timely and efficient project implementation.

**92.** Lessons relevant to CC and disaster risk management include: (i) policies to adapt to CC need to be focused on poor and vulnerable people; (ii) adaptation to CC in high-risk, marginalized communities should target "no regret" approaches<sup>43</sup>; (iii) capacities of agricultural and water systems to cope with current weather variability must be enhanced, while remaining sufficiently flexible; and (iv) increased long-term investment in demand-led agricultural knowledge and dissemination is important in supporting farmer adaptation to CC.

**93.** Lessons derived from the experience of the GEF experience in Viet Nam , specifically on capacity constraints which have been observed are:

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43 , i.e. those that have little additional cost in enhancing livelihoods, sustainable agriculture and poverty reduction

(a) At the Systemic level: (i) the collaboration between relevant ministries/sectors has not been clearly defined; (ii) the management system is incomplete, too small and weak in capacity, and overlap and duplication in tasks and responsibilities still exist; (iii) the legal framework, policies, strategies and action plans are insufficient and inconsistent, and their implementation is sub-standard; (iv) the mechanism and policy for ensuring benefits to the community when they are involved in environmental protection activities has not been provided; (v) the efficiency of the integration of environmental requirements in general, biodiversity, and CC and land degradation in particular in social-economic development programme remain low; and (vi) regulations on information management, sharing and knowledge dissemination are not clear enough and the monitoring and assessment system at national level has not been completed.

(b) At the Institutional level, the assessment notes that: (i) there is limited environmental management capacity at both central and local levels; (ii) the existing database system is incomplete, not updated regularly and has a low level of accuracy; (iii) the information sharing mechanism between ministries/sectors and localities has not been clearly defined and information technology capacity at most organizations is still restricted; and (iv) supporting tools for effective implementation of programmes/activities are insufficient.

**94. Key IFAD policies** that have guided the design of the AMD are found in the COSOP 2012-2017. In summary, these are:

(a) Focus of Investment. The AMD will continue to focus on market-led innovations for smallholder agriculture; pilot activities such as farmer group formation and empowerment, decentralized service delivery, productivity improvement and market integration and pro-poor value chain development; with a greater emphasis on up-scaling pilots through local-level institutional and policy reforms.

(b) The AMD is compliant with all three strategic objectives elaborated in the COSOP.

(i) SO1: Enable poor rural provinces to carry out market-led, pro-poor rural Development. This objective is satisfied through the provincial approach using the market-oriented SEDP and the Value Chain Approach.

(ii) SO2: Improve access of poor rural people – particularly women – to commodity and labour markets. This objective is satisfied through the targeting methodology, ensuring representation of the poor in planning forums and a range of pro-poor engagement products, particularly those involving provision of rural financial services.

(iii) SO3: Enhance the capacity of poor rural households to adapt to CC. This objective is satisfied through the outcome employed to finance CC adaptation.

**95. Compliance with ASAP** - The Adaptation for Smallholder Agriculture Programme (ASAP) is a programme launched by IFAD in 2012 to channel climate and environmental finance to smallholder farmers so that they can increase their resilience and adapt effectively to CC. The objective is to improve the climate resilience of large-scale rural development programmes and improve the capacity of smallholder farmers to expand their options in a rapidly changing environment. Through ASAP, IFAD is driving major up-scaling of successful “multiple-benefit” approaches to increase agricultural output while simultaneously reducing vulnerability to climate-related risks and diversifying livelihoods. ASAP will empower community-based organisations to make use of new climate risk management skills, information and technologies. It blends tried and tested ‘no regrets’ approaches to rural development with modern adaptation know-how to increase the climate resilience of IFAD’s new investments. These principles and policies are embedded within the AMD.

## C. Project implementation

### A. Approach

**96.** The results from both DBRP and IMPP and other IFAD supported projects in Viet Nam have demonstrated that the participatory approach and decentralization to commune and village level as well as the pro-poor market-based public-private partnership approach is feasible and should be expanded. In particular, there is need to continue and strengthen the application of the SEDP in communes and villages' development planning and to make the process more climate-informed. This enables the beneficiaries and their community and the private sector service providers to participate in the whole planning process, from needs identification through prioritization, planning, implementation to monitoring and evaluation. The PPMUs established by the PPCs in the provinces have placed a considerable emphasis on the need for effective CC adaptation within the context of a decentralized and market-based public-private partnership approach. The main guiding principles for project management: include:

- (a) The need for cost-effective inter-provincial management cooperation through an Inter-provincial coordination mechanism, involving regular meetings of the two PSCs;
- (b) Rational use of inter-provincial common technical assistance providers;
- (c) Inter-provincial coordination for CC adaptation planning and implementation;
- (d) Regional learning and, as procedures and results become available, replication and up-scaling in Mekong Delta;
- (e) The devolvement of activity implementation to government departments, through outcome based Memorandum of Understanding (MoU), wherever practicable, and,
- (f) Avoidance of the creation of parallel institutions.

**97.** The organizational and management structure proposed for AMD will be based on the lessons learnt under the previous projects in these provinces, which can be summarized as follows: (i) TORs specifying positions, roles and functions of the Project Steering Committees, Project Coordination Units at all levels and their reporting system are critically important to ensure effective and timely project implementation performance in its early stage; (ii) lack of participation of private sector entities in key decision making processes such as in meetings of PSCs, PCUs and planning workshops and the SEDP process reduced the effectiveness of the project's efforts in the development of markets, value chains and private sector partnership; (iii) financial management mechanism and flow of funds for all outcomes should be clearly specified in the project design and implementation guideline documents; (iv) PCU structures should have the flexibility to respond to implementation needs across the project life cycle; (v) the IFAD project management system should not create a different system parallel with the existing local institutional setup; (vi) complicated structures of provincial lead and co-implementing agencies has led IFAD projects to face slow progress at the early stage of implementation due to unclear roles and responsibilities among provincial agencies. The PCU should establish MoU with lead agencies before project inception; (vii) the project capacity building interventions should focus on improving the public services at the district and commune levels to ensure effective decentralization; (viii) there was a lack of effective tools to ensure performance accountability and competition for resources from the project districts and communes; (ix) coordination and information sharing between the IFAD projects and other donor-funded and NGO projects should be identified during the project formulation and negotiation; (x) the project M&E systems were quite robust in terms of generation of timely and sufficient data, but were weak as a management tool for planning, strategizing and implementation and in terms of measuring non-project impacts in project areas and project flow-on benefits; and (xi) poor cooperation/coordination among IFAD projects in the same region in terms of market linkages, value chains and private sector partnership should be addressed.

**98.** The project will adopt similar implementation arrangements to those used for previous IFAD projects. Changes reflecting their operational and managerial experience and lessons learned will be incorporated. Project Management will aim at maximizing effectiveness and efficiency through

application of the following principles: (i) the project management structure will adhere to the current structure of local institutions, building capacity to address poverty through market-based approaches, but these will now also incorporate climate-sensitive criteria; (ii) the project will decentralize its resources to the commune and village levels while mobilising private participation and strengthening public market and value chain development service providers; (iii) the project will focus its support in the 30 priority communes identified in each province; (iv) application of the “learning by doing” approach to introduce innovations to communes and promoting replication on increasingly larger scales when concepts are effectively proven; (v) changes of the roles of the provincial agencies from traditional implementing bodies to the positions of knowledge sharing and policy/guidelines makers; (vi) mainstreaming the participation of the private sector throughout the planning, implementation, monitoring and evaluation of the project activities; (vii) strict implementation of IFAD policies and guidelines in result-based project management; and (viii) Inter-provincial coordination for efficient technical assistance use, synergies development and reduced implementation costs.

## **B. Organizational framework**

**99.** The PPCs of Ben Tre and Tra Vinh will be the Project Owners. They will establish PCUs to coordinate project implementation and PSCs, which will assist the PPC in leading government agencies, mass organizations, the private sector and communities at all levels to ensure achievement of the project objectives.

**100. Project Steering Committee.** The PSC is established by the PPC to inform the PPC on overall execution of project implementation and ensure effective coordination/integration/cooperation among all government and donor-funded projects. The PSC will be led by the PPC Chairman (or a Vice-Chairman), comprised of Directors or Vice-Directors of concerned line-departments and Chairpersons of mass organizations and representatives from the private sector. The PSC will inform the PPC on matters concerning the strategic management of the project, including the decisions such as appointment of the PD and Deputy PD, approval of the PIM, annual work program and budget (AWPB), and other decisions related to the project coordination, orientation and mobilization of resources. The PSC will invite the Chairman of the Enterprise’s Association and two Directors of private companies that have major levels of cooperation with farmers in the project areas to join the PSC. The PSC will meet on a quarterly basis to coordinate project implementation, guide planning, review progress, and make recommendations for any modifications of AWPB as needed.

**101. Project Coordination Unit (PCU).** A PCU will be established in each province to assist the PSC in coordination of the provincial agencies and in actual management of government’s and IFAD resources. Each PCU will report directly to the PSC and act as an advisory body of the PPC and secretariat of the PSC. The PCU is established at the administrative level equal to a provincial department. The PPC Decision on the establishment of the PCU and TORs of the PCU should ensure that the PCU function on behalf of the Project Owner, the PPC. Furthermore, the PPC will ensure that the PCU is to assist the PSC in coordination of all line agencies, relevant donor funded initiatives and other stakeholders to implement the multi-sector integrated rural development project.

**102.** The mandate of the PCU will be to ensure: (i) coherence of the project approaches and strategies, and integration among project activities in order to produce the project outcomes, outputs and impact; (ii) coordination and synergy of the co-implementing agencies (DARD, DoNRE, DPI, TVU) and technical service providers, and the district and commune level agencies, and grassroots communities; (iii) mobilization of resources from the private sector, mass organizations, professional associations, research institutes, technical units and non-government organizations; (iv) contracting of suitable service providers to undertake various forms of research, studies, technical assistance and training (co-implementing agencies will mostly manage these providers); (v) accountable management of IFAD and Government’s resources, including preparation of PIM, AWPB, procurement plan, selection of technical assistance and audit service providers, establishment and operation of M&E system, and other functions of the operational and financial management of the

project; and (vi) knowledge sharing and policy development interventions, in collaboration with co-implementing agencies.

**103.** Each PCU will include 25 staff as detailed in Table 2 below.

**Table 2. Key positions of Project Coordination Unit**

Position	No.	
	Ben Tre	Tra Vinh
Project Director	1	1
Project Deputy Director	1	2
<b>Strategic Management Section</b>		
SEDP Planning Officer	2	2
Senior M&E Officer	1	1
M&E Officer	1	2
Knowledge Management Officer	1	1
Rural Finance Officer	2	2
Capacity Building Officer	1	0
CC Adaptation Coordinator	1	1
Value Chain/Marketing Development Officer	2	1
Infrastructure Development Officer	2	2
<b>Financial Management Section</b>		
Chief Financial Officer/Chief Accountant – Head of Section	1	1
Accountant	3	3
Cashier	1	1
<b>Administration Section</b>		
Administrative support officer	2	2
Interpreter	1	1
Security Officer/office support	1	1
Driver	1	1
<b>Total</b>	<b>25</b>	<b>25</b>

**104.** The **Project Director**, who should have solid experience in working for a previous IFAD-supported project, will lead each PCU. The PD shall be fully involved in the project design and negotiation and receive proper training from IFAD on new policies and management skills. The PD, as the Head of PCU, will work full-time for the project, and will have no additional responsibilities within any other provincial department. The major responsibilities of the PD will be to ensure that the involved provincial agencies, districts, communes and villages carry out the project activities in line with the project approach, operating schedules and procedures. The PD will be provided with adequate executive authorities and accountabilities through a Decision of the PPC. The PD will also act as Secretary of the PSC.

**105. Inter-provincial Coordination.** There will be inter-provincial PCU meetings held each semester to enable cooperation of CC adaptation policies and investments, identification of shared technical assistance providers, inter-provincial value chain planning and implementation, mutual training among similar staff positions and exchange visits/workshops for regional replication and up-scaling. The AWPBs of the provinces will need to ensure the regional approach throughout all the project activities. The Ad Hoc TAG will ensure inter-provincial technical coordination.

**106. Project Management at District Level:** At the district level, the District People's Committee (DPC) will be responsible for coordination of the project activities and integration with the organizational structures and mandates of the line agencies and mass organizations at the district level. The DPC Chairman (or Vice-Chairman) will be responsible for the coordination of project

activities. Under guidance of the DPC, and with technical support from DARD and other province departments, the District Planning and Finance Section (DPFS), District Agriculture and Rural Development Section, the District Agriculture Extension Station, the District Trade and Commerce Section, the District Plant Protection Station, the District Veterinary Station and the other concerned district sections will be mobilized for the project implementation. Both provinces will employ district technical advisors in numbers proportional to the number of underlying communes and level of project support at commune level.

**107. Project Management at Commune Level.** The CPC will be accountable for the project implementation at the commune level. In both provinces, the commune's chairpersons, accountant and cashier will receive a project management allowance in line with government policy. In Tra Vinh province, each commune will also have a full time commune coordinator. Both provinces will commence the project commune programme in their 30 selected communes in the first project year. To the extent possible, project implementation will be decentralized to the CPCs, which will receive substantial training to develop their capacities. The SEDP process will guide project implementation at Commune level, including incorporation of CC adaptation principles within value chain development. At the village level the project will utilize the Village Development Boards (VDB) established under the NTP-NRD, building on the experience of similar structures under both the DBRP and IMPP. The VMB is assigned to mobilize communities of the village in SEDP planning and implementation including an integrated approach to the selection of pro-poor value chains and livelihood support activities, infrastructure schemes implementation and maintenance, development of saving and credit groups, development of CIGs and the other community initiatives. VDBs should have at least: 40% female membership; 40% membership from DoLISA registered poor households; and, in Tra Vinh, 40% representation of minority communities.

**108. Staff Development and Training for the PCU.** The project management faces three main challenges: (i) lack of understanding of adaptation methodologies; (ii) limited capacity for developing and strengthening pro-poor climate-adapted approaches; and (iii) limited awareness of farmers and farmer's groups in business planning and development.

**109.** The project management therefore will include: (i) investment in capacity building in the first year to build a solid foundation for effective CC adaptation research and planning, especially for the district and commune levels; (ii) the engagement of NGOs and, where available, private service providers to build up demonstration models in pilot communes and replicate them through a "learning-by-doing" process; and (iii) drafting user-friendly manual/guidelines at the initial stage to enable and promote wide use of Training of Trainers (ToT) methodology during implementation.

**110.** Other key units of the leadership training programme will be:

(a) Market Economy Management Concepts, including: (i) roles of the State Agencies and the Private Sector; (ii) Public-Private Partnership/Cooperation in Agriculture and Rural Development; (iii) competition and agricultural competitiveness; (iv) market-oriented local economic development planning – concepts and techniques in the context of CC adaptation; and (v) market and value chain techniques in planning development and project interventions.

(b) Market and Value Chain Assessment, including: (i) new market trends (e.g. safe agriculture products, organic production, traceability); (ii) public and private certification systems and standards for agriculture products (national and international); understanding 'market barriers' (economic and institutional); and (iii) market and value chain assessment methods and identification of viable market opportunities.

(c) Program Planning for Developing Viable Market Opportunities, including: (i) review of policy and regulatory environment for agricultural market development in Viet Nam and in the project provinces; incentive mechanisms for promoting agricultural markets; and (ii) feasibility assessment and economic appraisal of market investment proposals and program planning tools.



## C. Planning, M&E, learning and knowledge management

**111.** The proposed project has a distinct advantage as regards the development of the P/M&E systems. Both of the project provinces already have fully developed systems, a strong experiential base, and significant institutional capital for its operation at all levels from the communes to the provincial and within the PCUs. In both, the implementation of project activities has been well integrated into the provincial line agencies through the existing government and institutional systems. Their successful work in incorporating and institutionalizing market-oriented approaches into the SEDP and, in Tra Vinh, of introducing and piloting the climate proofing tool for value chains into SEDP process, provides a firm foundation for the development of instruments and approaches for the integration of CC concerns into the SEDP process.

### Planning

**112. Annual Work Plans and Budgets.** Successful AMD implementation requires the government SEDP and project AWPB planning process to effectively articulate the views of various public institutions (government and line agencies), private entities, people's and communities' organizations and groups. This requires building consensus around common objectives, constant communication and a flexible decision-making structure. The SEDP is the principal planning process and instrument that government utilizes to orient all public financing of relevance for the ARD sector. Through mainstreaming into the SEDP, the potential exists to institutionalize pro-poor, climate-informed development approaches and see them replicated across the country. The National CC Strategy and the NTP-RCC aim to integrate CC concerns into the SEDP process, however, no official directives or guidelines from either MPI or MoNRE have yet been promulgated to guide the provincial DPIs in doing so. The AMD provides an opportunity to assist both national and provincial government to learn and develop an appropriate approach.

**113.** The project AWPB details on an annual basis the expected results of the project. Two innovations are proposed to strengthen the AWPB (and, to some extent, the SEDP) process in terms of its technical quality, institutional alignment and to enhance coordination among the implementation partners. These are:

- (a) Thematic Ad-hoc Groups, comprised of senior and knowledgeable technical staff from among key stakeholder groups, provide a flexible, temporary mechanism for organizing effective discussion; providing technical accompaniment and oversight to technical studies, evaluations, research and analysis; strengthening technical coordination and; providing useful and timely recommendations to policy-makers; and,
- (b) AWPB Coordination Subcommittee of the Project Steering Committee, enabling joint budgeting exercises that integrate and institutionalize project activities into the line agencies own annual work programs. The Subcommittee will comprise the heads of the agencies (e.g., DPI, DARD, DoNRE) or their representatives, along with the PCU Director; and
- (c) Memoranda of Understanding negotiated and signed by the AMD and DPI, DARD, DoNRE managers respectively and endorsed by the PPC, which provide annual targets for departmental implementation of AMD activities.

**114.** The basis for investment planning at the community level will be derived directly from the existing SEDP process, which will initiate the preparation of investment plans for the public sector. Communes will inform/channel potential private investor's opportunities for investment support under the project, and prepare estimates for private sector activity financed by the project. The specialist PCU staff (Climate Change Adaptation Coordinator (CCAC), the Value Chain Development Officer (VCDO) and the SEDP planning officer (PO) will ensure that this commune-based planning process is genuinely representative and inclusive, as well as being consistent with AMD rules and policies. These PCU officers will provide supervision to the support staff at the district and commune levels and coordinate with the staff of the General Planning Section under the DPI to organize the SEDP planning process in the project target communes and districts.

**115.** The commune plans will be consolidated at District level, using the support of the CCAC, VCDO and the SEDP PO, as well as staff of the District and relevant line agencies.

**116.** In the first year, the PCUs will also provide and coordinate training workshops on the project strategy and approaches, AWPB and procurement for key stakeholders. Specifically included in this will be the strategy and approach for financing CC adaptation. This will ensure an accurate and shared understanding of the project strategy and information needs.

**117.** The SEDP PO, working with the PCU Director and other PCU staff, will incorporate the SEDPs of the project communes and districts into the project AWPB. They will then assist the PD in drafting the AWPB and its revisions for the PSC/PPC consideration and IFAD comments and endorsement.

**118.** The PCUs will be responsible for the generation of plans not directly derived from the SEDP process or planning delegated to DARD, DoNRE, DPI and TVU under the respective MoUs to be signed by these institutions and the PCU. PCU planning responsibilities will include provision of specialist support and other specialist training under Component 1, various forms of Technical Assistance under Component 2, and the requirements for Project Management. The consolidated AWPB will reflect both the previous year's achievements and performance and anticipated Project progress. The PCUs ensure coordination between other government agencies and externally financed Projects in the Project area. The draft AWPBs will include a procurement plan (an initial eighteen-month plan and then twelve-month plans for subsequent years), a detailed description of planned AMD activities, and the sources and use of funds. The PD in each province will be ultimately responsible for preparing the draft AWPBs in an accurate and timely manner.

**119.** The draft AWPBs for each province will be submitted to their PSC for its review and subsequent PPC approval. The approved draft AWPB will then be transmitted to IFAD for comments and no objection no later than sixty days before the beginning of the relevant Project year. An Annual Stakeholder Review and Planning Workshops at which Annual Performance Report findings and management implications will be discussed will support the AWPB preparation process.

### **Monitoring and evaluation**

**120.** 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, replicability, lessons learned, and knowledge up-take, all within the context of the requirements for successful CC adaptation. The M&E system will cover both the operational and financial aspects of the Project.

**121.** The Project M&E system will be designed to track and verify the levels of achievement of project outputs, the associated outcomes, and the success in achieving the project objective and its development goal. These levels are all causally connected as set out in the project Logical Framework. To a large extent, the M&E system will be participatory, involving the supported communes in data collection and management. The Knowledge Management Officers will assist the PCUs in the data management in a standardised system, keep a central system to compile overall monitoring and evaluation information, and conduct studies to measure overall impacts. The PCU Strategic Management Section will be in charge of setting up and operating the management information system (MIS) and establishing and ensuring the M&E function, reporting and knowledge management.

**122.** The project MIS will be established to provide a comprehensive system of data collection, analysis and exchange. It will bring together physical and financial records with the main purpose of informing management decisions on project matters. Quantitative measures of progress will be supplemented with qualitative information related to the acquisition of personal and shared skills, group behaviour changes, target groups' perception, awareness and attitudes. The MIS will be the sole channel of project monitoring material and form the basis of six-monthly and annual reports.

**123.** In order to ensure a single and compatible system is implemented, the MIS will be set up centrally at project start-up and refinements will be introduced in the light of experience during the first year. It will be based on the Logical Framework, which, together with the MIS, may be modified at Project Mid-term Review (MTR) to adjust the project to changing circumstances. The preparation of reporting formats for use by implementing agencies, particularly the participating communes, districts, and other partners will be part of the overall design of the MIS.

**124.** Monitoring: Monitoring will be an integral part of the project coordination role. All staff will be involved in strengthening project progress and performance monitoring in their particular areas of responsibility. A large part of the monitoring data will be collected and communicated by the participating communes.

**125.** The monitoring will provide semi-annual and annual feedback on the extent to which the project is achieving its outputs, implementing the activities, identifying potential problems at an early stage and proposing possible solutions. The accessibility of the project to all sectors of the target population, as well as the technical and financial efficiency will be monitored and possible improvements suggested.

**126.** Monitoring indicators have been selected for each of the Project's outcomes as detailed in the Logical Framework. Wherever relevant and possible, gender-specific data, ethnic minority status and poverty data as classified by Ministry of Labour, Invalids and Social Affairs (MoLISA) will be collected. Involving the target groups will ensure beneficiary participation in project monitoring and, when possible, women, in data collection in forms of individual interviews, focus group discussion or case studies.

**127.** Project training will be competency based. The performance of training activities will be monitored through pre and post training knowledge tests with a further test 6-12 months post training to determine knowledge retention and adoption. It will not be possible to monitor all training events at this level; however, random competency monitoring will be applied to all typologies of training events across the project life.

**128.** Evaluation: Project evaluation will be initiated and managed by the Strategic Management Section in two major forms (i) annual impact evaluation and (ii) thematic evaluation. At the same time, the full reviews at mid-term and at the conclusion of the project will be conducted by IFAD and GoV. These two official reviews are the MTR and Project Completion Review (PCR).

**129.** Impact evaluation: The impact will be measured from the baseline data, at mid-term and at project end. The Baseline Survey will be undertaken shortly after project start-up to provide a platform of information from which the follow-on surveys could reveal changes in the households' livelihoods. Similarly, the Mid-term Survey and the Completion Survey will be carried out just before the MTR and towards the end of the project, timed so that their results will be available for the MTR and PCR. These follow-on surveys will be carried out in the same manner as the Baseline Survey. Ideally they will visit the same households so that developments in the course of project participation can be measured, and household members who have left the project area as a result of finding employment elsewhere will be captured as well. These three surveys will be carried out in conformity with IFAD's Results and Impact Management System (RIMS) reporting requirements (see para. 132 below). They will use the standard RIMS questionnaire form to collect key beneficiary data including household assets and base data used to establish the prevalence of child malnutrition in participating households, with a few added questions to reflect project-specific impact data. The participating households will be randomly selected from the 30 project communes. The data will be processed by a simple custom software package to be provided by IFAD.

**130.** As the Project will be establishing investments using business principles and business plans, there is the opportunity to use data generated during the planning and operation of such investments to provide for impact assessment. The intention is that the pre-project baseline, the operational data (profit and loss, return on investment, returns to labour etc.) will provide the impact assessment at the micro-economic level. (See Monitoring Framework for detailed indicators).

**131.** Because of project's goals of assisting to define adaptation pathways and understanding how smallholders and the rural poor may successfully negotiate these, a longitudinal study will be carried out during the entire life of the project. This will be used to monitor and assess on-going adaptation among a reference group made up of a cross-section of households in the three impact zones (high salinity zone, transition zone, freshwater zone) in each Province.

**132.** The RIMS methodology will be modified to ensure capture of the degree of impact in terms of effective CC adaptation; changing household resilience<sup>44</sup> and the flow-on effects (jobs, knowledge, and transfer of technology) of project activities to households not directly impacted by the project; and the impact of changes in the external environment (macro-economic changes) that will impact on all households.

**133.** Thematic studies: The PCU SMS will contract or carry out thematic impact studies that will look at the impact of activities under Project Outcomes. Such impact assessment will include an analysis of the effectiveness of: CC adaptation investments in producing stable, improved incomes for affected poor communities; value chain development models; Public and Private Partnership in poverty reduction; impact of micro credits on women; effectiveness of collective economic models; effect of SME development on the availability of jobs for the poor; and poverty impact of commodity-specific market support activities. The topics for these thematic studies will be identified in consultation with relevant government departments during project implementation, taking into account the NTP-NRD policies. The Monitoring Framework provides the indicators, collection methods and the usage of the processed data.

**134.** Mid-term Review and Completion Review: IFAD and Government of Viet Nam will be responsible for carrying out two full reviews of the project achievements: the MTR during Project Year 3 and the completion review after Project completion. Key Questions to be answered during the reviews on the basis of the indicators contained in the Logical Framework will include: (i) have project investments enabled coherent planning for CC adaptation; (ii) has research and studies provided access to improved techniques for CC adaptation; (iii) has investment in CC adaptation successfully enabled poor communities to improve their resilience and prosper under the effects of CC; (iv) has project targeting been successful; (v) has the Project assisted the underemployed in getting jobs and have rural marketing links been forged effectively; (vi) does the Project have the expected financial service outreach; (vii) has decentralised market-based planning been operated as an effective development tool; (viii) has the Project contributed good examples to the national policies related to CC adaptation within a rural development project; and (ix) how have changes in the external environment impacted on project beneficiaries.

**135.** Progress Reporting: The PCU Directors will be responsible for the preparation of six-monthly and annual provincial progress reports for submission to the PPC, PSC/PPC, and IFAD within a month from the end of the reporting period. The implementing agencies will be required to provide their progress reports as an input for PCUs to prepare the provincial reports that will be submitted to IFAD and Government in a timely and accurate manner. These reports will include the narrative report as a harmonised source of key data and ensure the trends are highlighted. The reports will record the financial and physical progress against AWPB targets. The Knowledge Management Officer will prepare a report on KM survey and analytical work, with a tabular appendix showing the progress in each Province against the project indicators. The SMS will be responsible only for the availability of data as indicated in the Logical Framework. The availability of all other data in the appendix will be the responsibility of the institutions, assisted by the PCUs in the preparation of the standardised reporting formats.

**136.** The implementing agencies will - within 2 weeks from the end of the reporting period - submit six-monthly progress reports to the PCU as a condition for release of funds for the ensuing period.

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<sup>44</sup> The AMD will explore the incorporation of the FAO Resilience Tool (<http://www.fao.org/docrep/013/a1920e/a1920e00.pdf>) questionnaire into the RIMS baseline survey. As this is a rapidly emerging field, the role of other resilience measuring tools will be explored closer to project inception.

CPCs and DPCs, will report on project supported SEDP initiatives. The Women's Unions and others will report directly to the PCU.

**137. Annual Results and Impact Reporting:** The PCUs will report separately to IFAD on the project indicators that overlap with IFAD's RIMS. The information contained in these Annual Results and Impact Reports will be drawn from the project MIS, and set in relation to the targets contained in this Report and those in the AWPBs.

**138. Mid-Term Report:** This single report will be prepared by the two PCUs and comprise the assessment of the efficiency as well as the project achievements to-date, an analysis of the project approach and activities, and detailed proposals for the implementation of the second part of the project.

**139. Project Completion Report:** At the end of the implementation period, a single, comprehensive PCR will be compiled by the two PCUs. The PCR will follow the IFAD guidelines and format for project completion reports. The assessment criteria will include: participation of the target groups, the Project's strategies and approaches, relevance, finance management, efficiency, outputs delivery, effectiveness, impacts, sustainability, Innovation, up-scalability and replicability.

### **Learning and knowledge management**

**140. Knowledge Management:** The project's knowledge management will be an essential element for delivery of project objectives, especially for learning related to CC. Two approaches will be taken: (i) a knowledge management program within the project for purposes of supporting within and between project learning; and (ii) support for a broader program of knowledge management aimed at informing government decision-makers and influencing policy.

**141.** The data management system will ensure that all reporting is completed and that information, reports and data are available in suitably accessible formats. Evidence based learning is an important output and the knowledge management system, combined with the evaluations must generate these evidence backed lessons. Lessons may be about approaches that do not work as well as those that do. In order to manage the knowledge and information of the Project, the following activities will be conducted:

**(a) Documenting lessons learnt, best practices and cases of success:** The SMS will collect all available relevant information to document lessons learnt, best practices and cases of success. It could be based on information collected from: progress reports, meetings and interviews, monitoring and evaluation reports, outputs evidence provided by targeted groups, market and value chain entities and other involved parties.

**(b) Developing and delivering a lessons learnt study:** Based on the information collected along project implementation, the KM Officer will develop an end of project Lessons Learnt Report, analysing the documented lessons learnt, best practices and cases. It will be first submitted to IFAD and, once feedback has been incorporated, if any, the report will be shared widely.

**(c) Development of material for dissemination:** The SMS will produce communication materials summarizing some of the success stories to be distributed through networks, and through policy dialogue, especially related to CC adaptation policies conducive to effective planning and investment. Based on analysis of the documented information, and the reports, material for dissemination will be produced at the end of the project; a mid-term Lessons Learnt Report might be developed. A short film about the Project combining before and after footage will be shared with target groups, policy makers and other stakeholders. Recommendations and actions for market and value chain development will be developed.

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

**142. Financial Management.** The provincial PCUs will be responsible and accountable to Government and IFAD for the proper use of funds apportioned to them, in line with the respective legal agreements, subsidiary financing agreements for financial institutions and contractual arrangements for service providers. They will provide detailed financial statements of the operations, resources and expenditures related to the project for each fiscal year prepared in accordance with standards and procedures acceptable to IFAD and deliver such financial statements to IFAD within four months of the end of each fiscal year.

**143.** Subsequently, audit firms appointed on an annual basis will audit these financial statements. The auditors will be jointly appointed by the respective PCUs following a competitive procurement process acceptable to IFAD. The selection of the auditors and the audit process itself will comply with IFAD's Guidelines for Project Audits and international auditing standards. The cost of the audits will be financed from Project proceeds. The annual audit, which will be a single process across both provinces, will be performed in accordance with International Standards on Auditing complemented by ToR acceptable to IFAD. The financial statements will be prepared in accordance with the cash basis of accounting in accordance with International Public Sector Accounting Standards (IPSAS) that reflect receipts, payments (by disbursement category) and fund balance for the current reporting period and the cumulative period from the commencement of the Project. The auditors will issue separate opinions covering the financial statements, statements of expenditures and the management of designated accounts. The audited financial statements and audit reports will be submitted to IFAD within six months after the end of each fiscal year and after the Project closing date. In addition, the auditors will also issue management letters outlining any internal control weaknesses.

**144.** Flow of funds arrangement. IFAD will make funds available to the Government of Viet Nam under the terms and conditions of the Finance Agreement. Project funds will flow from IFAD via a single Designated Account (DA) established in a commercial bank acceptable to the IFAD. Government funds will flow to a separate account.

**145.** Designated Account (DA): In accordance with the Financing Agreement and Section 4.04(d) of the General Conditions, immediately after entry into force of the Financing Agreement, the GOV shall open and thereafter maintain in a commercial bank accepted by IFAD, two accounts denominated in US dollars for the purpose of financing the project, "Designated Account". The Designated Account will be operated by the Ministry of Finance (MoF) and will be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower and accepted by IFAD. The Borrower shall inform the Fund of the officials authorized to operate the DA.

**146.** Project Accounts: Each PCU shall open and maintain in the provincial treasuries an account denominated in VND for project operations, the "Project Accounts". The Project Accounts shall be funded and replenished as necessary from the resources held in the Designated Account, upon request of the PMUs and in accordance with expenditures incurred under approved AWPBs. The project director of each PMU shall be fully authorized to operate the relevant Project Account.

**147.** Counterpart government contributions payments will be made from a Provincial Budget by arrangement of provincial Department of Finance, and be used specifically for the Vietnamese contributions to the Project. These contributions will be received annually/quarterly in accordance with normal budget procedures.

**148.** Statements of Expenditure (SOE). For Withdrawal Applications for IFAD resources, the SOE facility will be applicable for all contracts up to a threshold to be agreed by IFAD.

**149.** Financial management. As custodians of funds in the Project Account, the PCUs will undertake the following financial management tasks:

- (a) Ensure that project expenditure items and practices are consistent with those of the Government and IFAD;

- (b) Ensure that Project suppliers and locally paid staff are paid promptly and adequately through liaison with Ministry of Finance and the IFAD Country Office finance staff;
- (c) Ensure that Project expenditure is being coded correctly and consistently and that project funds are used solely for the purposes for which they were granted and in accordance with relevant IFAD guidelines;
- (d) Establish an asset register for all assets purchased by or provided to the Project in line with standard IFAD policies;
- (e) Check monthly Project financial report for accuracy and appropriateness, and ensure the Finance Manager is current with events concerning financial reporting issues, errors, trends, payment delays and related matters; and,
- (f) Monitor expenditure on a monthly basis against the approved AWPB in order to prepare and send timely fund withdrawal applications to IFAD and review expenditure projections to ensure that expenditure stays within budget. Significant actual or anticipated expenditure variances against the budget should be included in the monthly report to line management together with any recommendations for changes to the budget.

**150.** The Head of Finance and Administration of the PCU will be responsible for the actual management of these tasks, and will report to the PCU Director.

**151.** Procurement. Procurement of goods, works and consulting services financed by IFAD under AMD will be carried out in compliance with the IFAD's Project Procurement Guidelines (as approved by IFAD in September 2010 and which may be amended from time to time). The national procurement procedures, processes and regulations under the Procurement Law could be applied to the extent that they are consistent with IFAD Project Procurement Guidelines.

**152.** As soon as possible after Project commencement, the PCUs shall submit to IFAD the Draft AWPB. The Procurement Plan covering the initial eighteen (18) month period of project implementation is included in Appendix 8. This shall be updated to cover each succeeding twelve (12) month period for IFAD review and no objection. Each procurement plan shall include the proposed contracts, estimated costs and financings sources, methods of procurement, related IFAD review procedures, time schedules, etc. as specified in the IFAD procurement format.

**153.** Procurement methods for work and goods packages under the AMD include (i) national competitive bidding applied for packages with estimated cost equivalent or exceeding USD 60,000; (ii) local competitive bidding applied for packages with estimated cost less than USD 60,000; (iii) procurement with community participation or Force Account applied for infrastructure schemes that can use intensive un-skilled labour and simple techniques such as concrete roads, lined canals, storages, etc. with the estimated cost less than USD 30,000; (iv) direct contracting could be applied for very small packages with estimated cost less than USD 5,000.

**154.** Methods for selecting consultants under the AMD include (i) Quality and Cost Based Selection applied for service packages with estimated cost equivalent to or exceeding USD 30,000; (ii) Select Based on Consultants' Qualifications applied for service packages with estimated cost less than USD 30,000; (iii) Single Source Selection could be applied only in exceptional circumstances and will need to be approved by IFAD in the procurement plan.

**155.** Prior review thresholds. In accordance with IFAD Project Procurement Guidelines the following shall be subject to prior review by IFAD: (i) any goods contract estimated to cost USD 60,000 or more; (ii) any work contract estimated to cost USD 60,000 or more; and (iii) any consulting service contracts estimated to cost USD 30,000 or more.

**156.** Inter-provincial procurement and contracting. There are some technical assistance and consulting services that will be jointly procured and managed by the PCUs in each province for effective use of technical expertise and for ensuring a regional approach in the AMD. The PCUs will work together for planning, ToR preparation, consultant selection and contract negotiation and management of these services. Some of the technical assistance and consulting services that will be jointly implemented by the PCUs will include: (i) preparation of the project implementation manual;

(ii) preparation of the project finance management manual; (iii) preparation of the CC Adaptation planning and implementation manual; (iv) the applied research programme; (v) recruitment of international/national technical advisors in CC Adaptation, rural business/ VC development, rural finance, and CC.

**157.** Governance. The PPC, DPCs, and CPCs will have overall responsibility for program management and coordination of all departments and other agencies at their respective levels for implementation of the project.

**158.** The PPCs of Ben Tre and Tra Vinh will be the Project Owners. They will establish PCUs to coordinate project implementation and PSCs, which will assist the PPC in leading government agencies, mass organizations, the private sector and communities at all levels to ensure achievement of the project objectives...

**159.** The PPCs, as the Project Owner, will provide oversight to ensure adherence to Government of Viet Nam's policies and norms and the IFAD Loan Agreement. In each province, the PPC will issue a decision enabling the establishment of the PCU.

**160.** The PSC is established by the PPC to represent the PPC in overall execution of project implementation and ensure effective coordination/integration/cooperation among all government and donor-funded projects. As such, it is the executive agency for project governance.

**161.** The PCUs will sign MoU with the DPI, DARD and DoNRE Directors and the TVU Vice Chancellor, outlining those institution's AMD implementation responsibilities and output, outcome and impact targets.

**162.** Corruption. The IFAD and AMD management will engage Government and other IFIs in a review of appropriate measures to address governance and give beneficiaries a substantive voice during project implementation (e.g. third party monitoring, a grievance mechanism and a meaningful role in project decision affecting their well-being). The outcome of these discussions will be included in note to be sent to QA one year after the project's first disbursement.

## **E. Supervision**

**163.** The project will be directly supervised by IFAD, in accordance with the on-going arrangements in Viet Nam. Given the focus of the project, however, supervision support will also be provided by (i) the IFAD Regional Climate and Environmental Specialist and the IFAD Environment and Climate Division; and (ii) an international rural finance specialist with experience in MFI establishment. The IFAD Country Office will manage the supervision, which will cover both provinces. IFAD staff and consultants will attend the project start-up workshops, and specialist consultants and staff will continue to be involved in supervision and implementation support. The initial supervision and implementation support mission will take place soon after project commencement, and will include specialists in CC Adaptation and Market/Value Chain development. Further supervision missions will be undertaken annually and complemented by short and focused follow-up missions as appropriate. Supervision will be based on IFAD's operational modalities and practices. As far as possible, the identity of personnel engaged in supervision and implementation support will not be changed frequently unless there are compelling reasons to do so. The frequency and composition of supervision missions will be determined in light of actual requirements and in accordance with IFAD and the Government.

## **F. Risk identification and mitigation**

**164.** The main identified risks for this project are identified in the project logical framework. They are:

- **At the Project Goal Level**, the risk of external shocks to the macro-economy has the greatest prominence. 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. This is a significant risk for the project, especially with its emphasis on production derived from



aquaculture and agriculture for export. At the national level, sound macro-economic policies, including market determined exchange rates are the main means of mitigation of this risk. The main mitigation measures at the project and enterprise levels are the emphasis on sound financial analysis of projects, with emphasis on quality and high productivity and low cost per unit of output value.

- **At the Project Objective Level**, the main risk is that adaptation to CC does not become a cornerstone in agricultural and rural development policies at national and provincial levels. This is a real risk, especially if there are other policy imperatives or emergencies of a non-CC related nature, e.g. a renewed and serious outbreak of avian influenza. The risk will be mitigated and ameliorated through substantive and sustained investment in policy development and dialogue at national and provincial levels, with strong CC adaptation emphasis within project knowledge management.
- **At the Outcome Level:**
  - (i) Integrated disaster risk management and vulnerability planning are not effectively integrated into village, commune and district-level planning. The mitigating factors for this risk are: (i) substantive investment in CC orientation; (ii) careful screening of all investments proposed; and (iii) adoption of the closely mentored inclusive approach to participatory planning of development.
  - (ii) Lack of effective inter-institutional cooperation and dialogue, especially on CC adaptation related issues and implementation. The mitigating factors for this will be: (i) leadership from the PSC and PCU; (ii) roles of the CCCO and PSC RCC; and (iii) role of the CCAC within each PCU.
  - (iii) Financial service providers are not sufficiently interested to invest in project targeted value chains. Past performance by leading rural financial service providers has demonstrated this risk. It will be alleviated by: (i) development of new rural financial service providers; (ii) increased emphasis on savings; (iii) development of new financial products; and (iv) investment in profitable, climate adapted production systems and value chains.
  - (iv) Elite capture of project investment funds and benefits. This risk will be alleviated by: (i) pro-poor investment policies and planning; (ii) community empowerment, particularly women and minority people and (iii) close scrutiny and mentoring of all investments.

165. Project Risks are summarized in Table 3 below.

**Table 3. Main AMD risks and mitigation measures.**

Risk	Risk Mitigation Measures	Impact Rating	
		Likelihood	Severity
External shocks to macro economy	<ul style="list-style-type: none"> <li>High productivity and low cost per unit of quality outputs</li> </ul>	M	H
Lack of CC adaptation policy settings and priorities	<ul style="list-style-type: none"> <li>Project investment in policy development and dialogue, strong CC adaptation emphasis in KM</li> </ul>	H	M
Lack of integrated disaster risk planning and management	<ul style="list-style-type: none"> <li>Project investment in CC orientation</li> <li>Careful screening of all proposed investments</li> <li>Close mentoring for planners and implementers</li> </ul>	H	H
Lack of effective inter-institutional cooperation & dialogue on CC issues	<ul style="list-style-type: none"> <li>Leadership from PSC and PCU</li> <li>Roles of the CCCO and PSC-SC</li> <li>Role of CC Adaptation Coordinator</li> </ul>	H	M
Financial service providers unwilling to support project investments	<ul style="list-style-type: none"> <li>Development of new rural financial service providers Increased emphasis on savings</li> <li>Development of new financial products</li> <li>Investment in profitable, climate adapted production systems and value chains</li> </ul>	M	H
Elite capture of benefits	<ul style="list-style-type: none"> <li>Pro-poor investment policies and planning</li> </ul>	L/M	H

Risk	Risk Mitigation Measures	Impact Rating	
		Likelihood	Severity
	<ul style="list-style-type: none"> <li>Community empowerment, particularly women and minority people</li> <li>Close mentoring and scrutiny for all investments</li> </ul>		

## D. Project costs, financing, benefits and sustainability

### A. Project costs

**166.** The main assumptions underlying the derivation of Project costs, estimated Project costs and financing plan are:

- (a) The Project costs are based on March 2013 prices.
- (b) The proposed Project will be financed over a six-year period.
- (c) Inflation. The Economist Intelligence Units (EIU) estimates for the consumer price inflation in 2014-18 are between 7% and 9%, and these rates were set as a base for the analysis for the Project period 2014-2020.
- (d) Exchange Rate. The Base Exchange rate for this analysis has been set at VND 21 000 to US\$ 1 as an official exchange rate prevailing in September 2013 (rounded).
- (e) The Project costs are presented in both VND and US\$. Conversions from current US\$ values into Dong use constant purchasing power exchange rates:
- (f) Taxes and Duties. There is value added tax (VAT) of 10% levied on all imported and locally procured goods and services, except for agricultural outputs/inputs that are levied at 5%. Vehicles have a tax of up to 40% depending on engine power. International technical assistance does not carry any taxes. For directly recruited local staff the Project will cover the social insurance charges of 33.5%.
- (g) The Government will finance the cost of all taxes on goods and services procured under the Project.

**167.** The total investment and incremental recurrent Project costs, including physical and price contingencies, as detailed in Table 4.

**Table 4. Component Project Cost Summary**

	(VND Million)			(US\$ '000)			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
<b>A. Building Adaptive Capacity</b>								
1. Climate Change Knowledge Enhancement	133,218.8	8,738.1	141,956.9	6,343.8	416.1	6,759.9	6	14
2. Climate-Informed Planning	136,244.9	4,853.9	141,098.8	6,487.9	231.1	6,719.0	3	14
<b>Subtotal Building Adaptive Capacity</b>	<b>269,463.6</b>	<b>13,592.0</b>	<b>283,055.6</b>	<b>12,831.6</b>	<b>647.2</b>	<b>13,478.8</b>	<b>5</b>	<b>28</b>
<b>B. Investing in Sustainable Livelihoods</b>								
1. Rural Finance for Resilient Livelihoods	97,621.7	6,180.3	103,802.0	4,648.7	294.3	4,943.0	6	10
2. Investing in Climate Change Adaptation	492,581.3	36,109.5	528,690.8	23,456.3	1,719.5	25,175.8	7	52
<b>Subtotal Investing in Sustainable Livelihoods</b>	<b>590,202.9</b>	<b>42,289.8</b>	<b>632,492.7</b>	<b>28,104.9</b>	<b>2,013.8</b>	<b>30,118.7</b>	<b>7</b>	<b>63</b>
<b>C. Project Management</b>	<b>89,474.7</b>	<b>6,284.3</b>	<b>95,759.0</b>	<b>4,260.7</b>	<b>299.3</b>	<b>4,560.0</b>	<b>7</b>	<b>9</b>
<b>Total BASELINE COSTS</b>	<b>949,141.2</b>	<b>62,166.1</b>	<b>1,011,307.3</b>	<b>45,197.2</b>	<b>2,960.3</b>	<b>48,157.5</b>	<b>6</b>	<b>100</b>
Physical Contingencies	2,891.1	842.4	3,733.5	137.7	40.1	177.8	23	-
Price Contingencies	79,623.5	4,170.6	83,794.1	956.5	52.5	1,009.0	5	2
<b>Total PROJECT COSTS</b>	<b>1,031,655.8</b>	<b>67,179.1</b>	<b>1,098,834.9</b>	<b>46,291.4</b>	<b>3,052.9</b>	<b>49,344.3</b>	<b>6</b>	<b>102</b>

**168.** Total project cost is estimated at about USD 49.3 million (VND 1,032 billion). Physical and price contingencies make up about 2% of the total Project costs. Investments in infrastructure, co-financing, research and capacity building include no contingencies. The foreign exchange component is estimated at about 6% of the total Project costs. Taxes and duties make up approximately

USD 2.3 million (3%). Funds allocated to the Project Management amount to USD 4.6 million or 9% of the total Project costs. Component costs by project year are detailed in Table 5.

**Table 5. Project Component Costs by Year (USD 000)**

	Totals Including Contingencies						Total
	2014	2015	2016	2017	2018	2019	
<b>A. Building Adaptive Capacity</b>							
1. Climate Change Knowledge Enhancement	1,138.9	2,066.0	1,218.4	1,006.8	941.0	611.1	6,982.2
2. Climate-Informed Planning	1,270.2	987.3	1,004.6	1,100.9	1,223.7	1,628.0	7,214.7
<b>Subtotal Building Adaptive Capacity</b>	<b>2,409.2</b>	<b>3,053.3</b>	<b>2,223.0</b>	<b>2,107.7</b>	<b>2,164.7</b>	<b>2,239.0</b>	<b>14,196.9</b>
<b>B. Investing in Sustainable Livelihoods</b>							
1. Rural Finance for Resilient Livelihoods	760.4	1,333.0	1,727.0	1,016.1	103.3	78.5	5,018.3
2. Investing in Climate Change Adaptation	2,622.3	6,301.2	7,296.3	6,393.5	2,573.0	77.9	25,264.2
<b>Subtotal Investing in Sustainable Livelihoods</b>	<b>3,382.7</b>	<b>7,634.2</b>	<b>9,023.3</b>	<b>7,409.6</b>	<b>2,676.3</b>	<b>156.4</b>	<b>30,282.5</b>
<b>C. Project Management</b>	<b>1,329.4</b>	<b>679.3</b>	<b>724.5</b>	<b>676.4</b>	<b>701.0</b>	<b>754.3</b>	<b>4,864.9</b>
<b>Total PROJECT COSTS</b>	<b>7,121.2</b>	<b>11,366.8</b>	<b>11,970.7</b>	<b>10,193.8</b>	<b>5,542.0</b>	<b>3,149.7</b>	<b>49,344.3</b>

## B. Project financing

**169.** An IFAD ASAP Grant of USD 12.0 million (24% of the total Project costs) will finance 71% of Component 1, 6% of Component 2 (15% of co-financing for CC adaptation at farm level) and 100% of Project M&E.

**170.** An IFAD Loan of US\$ 22 million, (45% of the total Project costs), will finance 25% of climate-informed financing sub-component (USD 1.8 million), 100% of the rural finance for sustainable livelihoods sub-component (USD 5.0 million) 49% of the public investments in CC adaptation (USD 12.3 million), and 60% of the project management (US\$ 2.9 million).

**171.** Beneficiaries will provide approximately USD 7.8 million (15.7%) as co-financing through co-financing for climate-sensitive rural investments and off-farm enterprises through, contribution in kind and their own cash or from credit.

**172.** The Government contribution is estimated at USD 7.6 million (15.3%) and includes contributions from its budget to cover part of public infrastructure costs (USD 2.9 million), 60% of staff salaries (USD 3.2 million) and all taxes (USD 1.5 million). Table summarizes the Project financing plan.

**Table 6. AMD Financing Plan (USD 000')**

	IFAD Loan		GOV Taxes		GOV		ASAP Grant		Beneficiaries		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
<b>A. Civil Works</b>															
Civil Works	3,792.3	46.4	735.1	9.0	2,912.0	35.7	-	-	728.0	8.9	8,167.4	16.6	1,633.5	5,798.8	735.1
Design and Supervision	728.0	91.0	72.0	9.0	-	-	-	-	-	-	800.0	1.6	-	728.0	72.0
<b>Subtotal Civil Works</b>	<b>4,520.3</b>	<b>50.4</b>	<b>807.1</b>	<b>9.0</b>	<b>2,912.0</b>	<b>32.5</b>	<b>-</b>	<b>-</b>	<b>728.0</b>	<b>8.1</b>	<b>8,967.4</b>	<b>18.2</b>	<b>1,633.5</b>	<b>6,526.8</b>	<b>807.1</b>
<b>B. Equipment and Goods</b>	<b>801.0</b>	<b>39.5</b>	<b>182.6</b>	<b>9.0</b>	<b>-</b>	<b>-</b>	<b>1,045.0</b>	<b>51.5</b>	<b>-</b>	<b>-</b>	<b>2,028.5</b>	<b>4.1</b>	<b>602.0</b>	<b>1,244.0</b>	<b>182.6</b>
<b>C. Vehicles</b>	<b>65.7</b>	<b>50.0</b>	<b>65.7</b>	<b>50.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>131.4</b>	<b>0.3</b>	<b>39.4</b>	<b>26.3</b>	<b>65.7</b>
<b>D. Technical Assistance</b>	<b>1,459.4</b>	<b>59.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>988.6</b>	<b>40.4</b>	<b>-</b>	<b>-</b>	<b>2,447.9</b>	<b>5.0</b>	<b>506.6</b>	<b>1,941.4</b>	<b>-</b>
<b>E. Training</b>	<b>2,825.7</b>	<b>33.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,507.3</b>	<b>66.1</b>	<b>-</b>	<b>-</b>	<b>8,333.0</b>	<b>16.9</b>	<b>-</b>	<b>8,333.0</b>	<b>-</b>
<b>F. Research and Studies</b>	<b>-</b>	<b>-</b>	<b>271.5</b>	<b>10.0</b>	<b>-</b>	<b>-</b>	<b>2,443.7</b>	<b>90.0</b>	<b>-</b>	<b>-</b>	<b>2,715.2</b>	<b>5.5</b>	<b>-</b>	<b>2,443.7</b>	<b>271.5</b>
<b>G. WSGS Financing</b>	<b>3,567.0</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,567.0</b>	<b>7.2</b>	<b>-</b>	<b>3,567.0</b>	<b>-</b>
<b>H. CCA Co-financing</b>	<b>5,460.0</b>	<b>39.0</b>	<b>-0.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,500.0</b>	<b>10.7</b>	<b>7,040.0</b>	<b>50.3</b>	<b>14,000.0</b>	<b>28.4</b>	<b>-</b>	<b>14,000.0</b>	<b>-</b>
<b>I. Recurrent Costs</b>	<b>1,235.3</b>	<b>66.0</b>	<b>168.5</b>	<b>9.0</b>	<b>-</b>	<b>-</b>	<b>468.8</b>	<b>25.0</b>	<b>-</b>	<b>-</b>	<b>1,872.7</b>	<b>3.8</b>	<b>271.5</b>	<b>1,432.6</b>	<b>168.5</b>
<b>J. Salaries</b>	<b>2,065.7</b>	<b>39.1</b>	<b>0.0</b>	<b>-</b>	<b>3,168.7</b>	<b>60.0</b>	<b>46.8</b>	<b>0.9</b>	<b>-</b>	<b>-</b>	<b>5,281.1</b>	<b>10.7</b>	<b>-</b>	<b>5,281.1</b>	<b>-</b>
<b>Total PROJECT COSTS</b>	<b>22,000.1</b>	<b>44.6</b>	<b>1,495.4</b>	<b>3.0</b>	<b>6,080.7</b>	<b>12.3</b>	<b>12,000.1</b>	<b>24.3</b>	<b>7,768.0</b>	<b>15.7</b>	<b>49,344.3</b>	<b>100.0</b>	<b>3,052.9</b>	<b>44,795.9</b>	<b>1,495.4</b>

## C. Summary benefits and economic analysis

### Financial Analysis

**173.** A comprehensive set of financial analyses of the project's different investment activities have been undertaken, including the preparation of seven production models, ten smallholder farm/enterprise models and three infrastructure models. The results of the detailed analyses are presented in Annex 10, Financial and Economic Analysis.

**174.** The main result of the financial analysis include: (i) a significant increase in gross and net returns from each model comparing with and without-project situations; (ii) high benefit/cost ratios illustrating the worthiness of the investments. The NPV ranges from USD 111 to USD 146,068, the IRRs from 14% to 69%, which are much more conservative compared to those estimated in the Assessment Report of the IMMP in Ha Tinh (July 2012). The analysis showed that the models are more sensitive to changes in both yield and price assumptions than they are to variations in investment and operating costs. Sensitivity analysis also showed that all models, except for the coconut and cacao processing plants, will remain attractive even if costs increase by average 45% or benefits decrease by average 25%.

**175.** The rice producer model in the without project situation represents a typical existing household in the project area producing around 3 tons of paddy rice on about 0.3 ha of land. The analysis shows that the project will enable the poor households to increase their annual net incomes from current USD 649 to average USD 959, an increase of 48%.

**176.** Rehabilitation of a dyke shows an IRR of 48% and NPV of USD 854,938. The irrigation rehabilitation scheme generates an IRR of 30% and an NPV of USD 496,314.

### **Economic analysis**

**177.** AMD does not lend itself to the traditional economic analysis of development projects, i.e. to aggregate benefits from specific households taking up pre-defined packages of interventions and measure returns against project costs. In the presented case, illustrative value chain models described above have been used to estimate potential returns to US\$ 1 of economic investments.

**178.** The economic analysis of the project indicates that AMD is robust in economic terms. The analysis results in an IRR of 17.5% and a NPV of around US\$ 14.6 million taken over 20 years with the benefit stream based on the quantifiable benefits that relate directly to the activities undertaken following implementation of the components. The sensitivity analyses show that the returns are solid. The switching values show that the project will be economically viable even if benefits decreased by 25% and investment costs increased by 41%. A one-year delay in project benefits reduces the IRR to 15%. With a two-year delay in project benefits, the IRR falls to approximately 13%.

## **D. Sustainability**

**179.** The project emphasises the building of capacity in existing public institutions at all levels, from the village through to the national level. This is particularly important for the development of sound planning and policy with respect to CC adaptation. This investment in public processes and capacity will ensure that this crucial element to enable an accurate response to CC factors will remain embedded within the civil service and the society it serves. Moreover, the utility of this development of processes and capacity is that it can be replicated throughout the country as systems become functional and proven in the project provinces.

**180.** An important emphasis of the project is on the enhancement of private sector activity and competitiveness in the specific sub-sectors targeted for investment. The most important determinant of sustainability of such investments and, by extension, provision of expected benefits, is their climate adaptation and continued profitability. This approach will provide strong grounds for the expectation that a large majority of investments will endure. The main tools used by the project to enhance prospects of private business sustainability will be:

- (a) Enhanced capacity of government staff, farmers and private rural enterprise actors to analyse and prioritize investment choices;
- (b) Rigorous scrutiny of business proposals by AMD PCUs and collaborating financial institutions;
- (c) The commitment of a substantial proportion of investment from the client's own financial resources;

- (d) The complementary public investment in infrastructure designed to improve business conditions and lower costs; and,
- (e) The focussed approach to investment within the Communes provided by the SEDP process.

**181.** The incorporation of the private sector into an enhanced CC and RRM responsive SEDP process, which will holistically plan both government and project resources, is critical to the post project economic welfare of the target group.

**182.** The public investments through the leveraging of market and value chain development provide a different challenge for sustainability of benefits. The experience gained by IFAD and by the provinces in previous IFAD supported project implementation in supporting this is crucial. The MARD is also supportive of PPC investments and, with donor support, including IFAD, is preparing national guidelines for PPP/PPC that will be adopted by the project. The likelihood of sustainability of the public investments, although not assured, will be further enhanced through the following measures which are built in to project design:

- (a) The operation of investments will largely be through existing institutions;
- (b) The requirement for a relatively significant contribution from the sponsoring agency or community groups; and,
- (c) The assurance of local ownership and participatory planning through the SEDP process.

**183. Project Environmental Ranking.** Several of the project activities fall under category B, while the remaining fall under category C. For the project, it is important to include environmental and social assessments and, if necessary, adjustments in the planning of individual activities to prevent negative impacts, continuously monitor the environmental and social impacts of the project and the individual activities, and fully mitigate any negative impacts if they cannot be prevented/avoided. None of the activities fall under category A; hence they do not need full environmental impact assessments. Given that a significant number of activities fall under the B category, the overall environmental category of the project is category B.

## **Appendices**

## Appendix 1: Country and rural context background

### Overview of country development over the recent years:

- 1 The Government of Vietnam (GoV) introduced a wide-ranging set of reforms known as Đổi Mới (renovation) in 1986, which were formulated to liberalize the economy. Vietnam has undergone almost 28 years of reform following the Đổi Mới resolutions, which has largely been successful. The economy is now sustaining strong economic growth, is well-advanced in its transition from a planned to a market-oriented economy. GDP growth averaged 7.26% during 2001- 2010.
- 2 With progress achieved in poverty reduction and economic growth, Vietnam had become a low middle income country by 2008 (GSO, 2012) and achieved five out of eight millennium development goals by 2010 (BTI, 2012). The poverty rate was halved from 28.9% in 2002 to just 10.7% in 2010 (GSO, 2012). The economy also has experienced a positive structural shift with the agricultural proportion of GDP decreasing from more than 40% in 1990 to about 20% in 2010. The proportion of the labour force in agriculture also decreased from more than 80% in 1990s to less than 50% to-day.
- 3 Along with economic development, Vietnam has also provided opportunities for greatly enhanced foreign direct investment and international trade. In the last decade, Vietnam's international trade turnover has increased more than 5 times (GSO, 2012), showing an open economy at a high level and a commitment to integration.

**Table 1: Major Economic Indicators for Vietnam**

Indicator	Unit	2005	2012
Population	head	83.5 million	88.8 million
GDP	USD	52.9 billion	154 billion
Inflation Rate	%	9.5	9
Exports	USD	32.0 billion	115.0 billion
FDI	USD	5.8 billion	16.3 billion

*Source: Vietnam General Statistics Office data and Ministry of Planning and Investment.*

- 4 **Agriculture and Rural development the recent years:** There have been major reforms toward liberalization of agriculture and encouragement of private sector development in recent years. The agriculture sector contributes a considerable part to Vietnam's export each year with the yearly growth rate of about 4.5%. Vietnam is now the world's second largest exporter of rice and is a significant player in world markets for coffee, pepper, tea, cashew and seafood. Export earnings from agricultural and aquaculture products have been continuously increasing since 1990. Subsectors such as industrial crops, vegetables and livestock have developed rapidly and have been able to meet domestic demand. Agricultural production shows stable growth, rising in the ten years from 2001-2010 by 50.4% in total value (GSO, 2012). Aquaculture has also provided impressive growth, and now accounts for 21.1% of all agricultural production value (GSO, 2012). The agricultural sector has also shown increased market orientation with the production of industrial crops increasing by 40.4% in ten years from 2001 to 2010.
- 5 Despite this progress, the development of agriculture and rural areas remains slower than other sectors of the economy, and some of the progress achieved may not be sustainable. Although agricultural production has developed some links with markets, often these are neither strong nor enduring. The use of advanced technologies, advanced trade mechanisms, market forecast and analysis are very limited within the agricultural sector.
- 6 The economic activities in the Mekong Delta are a central component of the recent economic success of Viet Nam in the agricultural sector. This is a densely populated and highly productive area which is one of the most intensively cultivated areas in Asia. The area produces a major proportion of the country's rice exports, as well as large amounts of high value marine products, most of which are



exported. Vietnam is now the second largest exporter of rice in the World, and the majority of this produce is grown in the Mekong Delta. This region now produces more than 15 million tonnes, or 55% of the national crop. It also produces more than 60% of national fishery and fruit products. Some 20% of the Vietnamese population lives in the Mekong Delta, with nearly 85% of the population living in rural areas and depending on agricultural and rural products.

- 7 The productivity of this area is now threatened by changes in environmental conditions which are thought to be the nascent effects of CC. Vietnam is one of the most disaster-prone countries in the world. According to the Vietnam Central Committee for Flood and Storm Control's most recent reports (CCFSC, 2005), there are about 30 tropical cyclones occurring in the Western North Pacific annually, of which 11-12 tropical cyclones land in the South China Sea, and six to eight storms and tropical depressions affect the territory of Vietnam each year. The Mekong Delta ranks amongst the most badly affected geographic areas in terms of disaster occurrences, rating highest in terms of flood risk and saline intrusion, and equal highest in terms of storm, landslide, storm-surge and fire risks.<sup>45</sup>
- 8 In the Mekong Delta, almost 50% of arable land is flooded (1,900 km<sup>2</sup>) in the wet season. Conversely, the river water level is at its lowest in the dry season when the demand for irrigation water is at its highest. About 1.8 million ha in the Mekong delta is subject to salinity problems in the dry season, of which approximately 1.3 million ha are affected by saline intrusion above 5 g/l. According to MARD, 2011, 100,000 ha of a total of 650,000 ha under intensive rice cultivation is now at risk due to saline intrusion. This situation will be further aggravated by the emerging impacts of CC materializing in more and heavier storms and sea level rise (SLR), which will push salty seawater further up the river system. In addition, the mean temperature in the Mekong Delta has increased by 0.22°C from 26.8°C in 1970-1988 to 27.1°C in 1989-2007, and are predicted to increase by a further 1°C by 2050. Temperature can be a problem for the reproductive growth of rice, which has exhibits declining grain yields when average daily temperatures are above 25°C.
- 9 These external factors related to CC are especially challenging in the provinces of Ben Tre and Tra Vinh which have substantial coastlines. The recent construction of large civil works such as dykes and sluice gates to protect highly productive paddy areas from flooding events and salinization has enabled intensification of paddy production to three crops per year in much of the Delta. However, this also has environmental risks, as it has prompted extensive use of inorganic fertilizers and pesticides, and the dyke protection impedes the positive aspects of flooding, namely the fertilization of the soil with sediments brought in by the floods.
- 10 Because of the problems of salinity and fresh water shortages, many farmers and households now rely on tube well irrigation, notably for vegetables and for domestic supply of drinking water. Tube wells may reach down to below 100 meters and many wells run dry during the dry season, reflecting over-use of the aquifers.
- 11 Farmers are particularly concerned about the higher temperatures and saline intrusion. This has prompted a gradual shift from intensive paddy rice production to rotation with vegetables and fish/shrimp farming and conversion from paddy to coconut and sugarcane. These changes are not without challenges for the farmers, requiring significant capital to change the land use, buy seedlings and change irrigation. There is also an associated delay in production, especially for tree crops.
- 12 In summary, the context for the design of the AMD is that while there have been impressive gains in rural poverty reduction in recent years, there is a looming threat from the effects of CC on the performance of the crucial Mekong Delta region. These effects have the potential to have a devastating impact on the large numbers of rural people who remain poor or near poor, as well as those who have recently escaped from poverty due to the strong economic performance of the region. These people, some of whom are from ethnic minorities, remain vulnerable to the effects of external shocks, including catastrophic climatic events. However, the GoV strategic and policy settings do in

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<sup>45</sup> Ministry of Agriculture and Rural Development, Viet Nam, CCFSC 2005

fact facilitate an effective investment scenario to enable the rural communities in the Mekong to achieve and maintain prosperity within the existing and forecast factors and scenarios expected due to the effects of CC.

### **The opportunities for rural development of Vietnam:**

- 13 *The current policies, programs are supporting the rural development that GoV and other Donors initiate:* The Government of Vietnam primarily plays facilitating roles in infrastructure development, public services, and in special programs. It also provides direct support for areas with extremely difficult conditions in remote and/or mountainous areas (Global Donor Platform for Rural Development, 2011). Government investment and support for rural areas is prioritized towards infrastructure upgrading and development to provide better services for production, transportation (and trade), and markets. It also provides direct support for non-agricultural economic activities and development of SMEs and industrial villages in rural areas. In line with priorities of government, the largest donor-funded activities are focused mostly on infrastructure such as transportation, irrigation, utilities and other public facilities. ODA funding plays an important role with 61% of funds goes to rural areas (ODA for agriculture and rural development for the period 2006-2010 and development trend 2011-2015, 2010).
- 14 *Involvement of the private sector:* National public policies have combined with international cooperation and private sector intervention in order to target the reduction of Vietnam's general poverty rate. The private sector created 87 % of the total employment in Vietnam in 2008 (GSO). Moreover, with the initiation of public-private partnerships, the private sector plays a more and more important role in providing education and training services to the poor. While challenges still exist, the government has recognized the value of foreign investment and private enterprise in steering economic growth and has made doing business in Vietnam much easier in recent years.
- 15 Within the policy and investment framework, there are numerous viable avenues for agricultural and rural development in Viet Nam, building on the successes of the recent past. Viet Nam possesses a well-educated rural work force, has relatively good rural infrastructure and relatively good physical environment. All of these factors enable it to be a low cost producer of agricultural commodities. The most prominent of the opportunities for the Mekong region are:
  - Production and packaging of fisheries products, primarily for export markets;
  - Production of rice for local and export markets;
  - Production and processing of livestock products for burgeoning urban markets in Viet Nam;
  - Production and processing of higher value tropical fruits and specialist products such as cacao, coconut and spices.
- 16 The Ministry of Planning and Investment (MPI) has under its jurisdiction the entire planning process as well as the development of the various strategies and plans, at all levels. The two central components of the planning system are the 10-year "Socio-economic Development Strategy" (SEDS) and the corresponding consecutive "Five-year Socio-economic Development Plans" (SEDP). In addition, there are (i) regional development plans whose purpose is to tailor the objectives of the SEDS and SEDP to the conditions of the regions in Vietnam; (ii) national sectoral development plans that define the sector-specific objectives to be implemented by the line ministries, (iii) at the sub-national level, the line ministries' regional and provincial sectoral development plans, and (iv) the Provincial People's Committees' long-term and annual plans for socio-economic development.
- 17 The current SEDS, covering the period from 2011-2020, focuses on structural reforms, environmental sustainability, social equity, and emerging issues of macroeconomic stability. It defines three "breakthrough areas": (i) promoting human resources/skills development (particularly skills for modern industry and innovation), (ii) improving market institutions, and (iii) infrastructure development.

- 18 The SEDP is the primary national planning tool for the implementation of the SEDS. The current SEDP for the period 2011-2015 focuses on the need to restructure the economy to increase the share of high value-adding economic activities, improve the living standards of ethnic minority populations, strengthen environmental protection, and mitigate and prevent the adverse impacts of CC. The Plan underlines the need to develop favourable conditions for the private sector and to gradually reduce the contribution of the state sector to GDP. It also outlines the importance of environmental protection, CC mitigation, and adaption and building resilience to natural hazards.
- 19 A bottom-up mechanism is employed in the development of the SEDPs, both the five year as well as the annual SEDP plans. Local governments at the commune, district, and province-levels develop and submit proposals to the next higher level of government, which are then ultimately and eventually submitted to MPI, where they are incorporated into the annual SEDP plans.

**Table 2. Types of socio-economic development planning inputs.**

Planning document	Characteristics	Approving body	Drafting body	Example
Ten-Year Socio-economic development strategy	National, 10-year. States political vision for long-term development. Sets priorities for national, sectoral and regional development.	Communist Party of Vietnam	Development Strategy Institute of the Ministry of Planning and Investment	Socio-economic development strategy 2011-2020
Five-year socio-economic development plan	National, 5-year. Concretises the development strategy and sectoral master plans	National Assembly	Ministry of Planning and Investment	Socio-economic development plan 2011-2015, 2016-2020
Sectoral socio-economic development strategy	Sectoral, long-term. Sets target programs for regions.	Prime Minister	Sectoral Department of the Ministry of Planning and Investment working together with relevant sectoral ministry	National Strategy on Climate Change, Period 2011-2020; Master plan on economic restructuring in association with conversion of the growth model towards improving quality, efficiency and competitiveness during the 2013-2020 period
Regional socio-economic development plan, "master plans"	Regional or sectoral, long-term. Sets target programs for regions.	Prime Minister	Planned and coordinated by MPI working together with relevant Ministries	Master Plan for Socio-Economic Development of the Mekong Delta Region to 2020
Annual socio-economic development plan	National, annual.	National Assembly	Ministry of Planning and Investment	Socio-economic development plan 2013, 2014, 2015
Provincial socio-economic development plan, also "master plan"	Provincial, 10-year. Sets target programs for provinces	Prime Minister	Department of Local and Regional Economy of the Ministry of Planning and Investment	Master Plan on Socio-Economic Development of Ben Tre Province Through 2020

Source: Tan, S. 2012. Reconsidering the Vietnamese development vision of "industrialization and modernization by 2020". Working Paper 102. ZEF Working Paper Series. Department of Political and Cultural Change, Center for Development Research, University of Bonn

- 20 Of greatest relevance to the proposed project is the context and functioning of the SEDP process at the local-levels (commune, district and province). Their five-year plans establish the annual targets for each Province and, by extension, the annual priorities to be incorporated into each years' SEDP. Under the SEDP 2011-2015 there are four thematic areas whose targets orient the planning for the agriculture and rural development (ARD) sector. These thematic areas are: Clean Water, the National Target Program for New Rural Development, the National Target Program for Response to CC, and Clean Food & Agriculture.

#### **National Policy and Planning Framework for CC**

- 21 For the ARD sector, the principle orienting frameworks for medium-term responses to CC are the National Target Program to Respond to CC (NTP-RCC) and the Action Plan Framework for Adaptation to CC in the Agriculture and Rural Development Sector Period 2008-2020. Both of these were approved and issued in 2008. Subsequently, in 2011, MARD issued its Action Plan To Response To CC Of The Agriculture And Rural Development In Period 2011-2015 And Vision To 2150 (RCC-ARD).
- 22 The NTP-RCC which covers the period from 2009 to 2015, has the global objectives of: (i) assessing potential impacts of CC; (ii) ensuring that a CC response action plan is developed by each sector; (iii) initiating efforts to move the country towards a low-carbon economy, and (iv) contributing to global efforts for the mitigation of GHGs. The NTP simply establishes the requirement that all other line ministries, provinces and cities produce CC action plans. As such, the NTP-RCC is not a CC strategy, though reportedly MoNRE is now working on the preparation of such a strategy.
- 23 MARD's "Action Program In Response to CC of the Agriculture and Rural Development Sector During 2011-2015 and Vision to 2050" (RCC-ARD) establishes priorities for the next three years. The overall objective of the Action Plan is to improve the CC response capacity of the agriculture and rural development sector in order to (i) minimize CC-related damages; (ii) reduce the agricultural sectors greenhouse gas emissions; (iii) protect the lives of people exposed to climate risk and sea level rise related natural disasters; and (iv) create opportunities for sustainable agriculture and rural development within the context of CC. Priority thematic areas within the Plan include protection of populations and agricultural lands in the coastal zones; stabilizing agriculture, forestry and salt production; ensuring food security (especially, rice production); the safety and integrity of the dyke system and other productive infrastructure important for agricultural production; natural disaster prevention and control; and economic growth that reduces both poverty and greenhouse gas emissions.
- 24 To achieve the objectives of the Action Plan, MARD has specified a series of seven policy, strategy, capacity building and awareness raising tasks to be accomplished: (i) further evaluation of CC and sea level rise impacts on ARD and development of mitigation and adaptation measure and solutions; (ii) development of specific programs/projects in response to projected impacts; (iii) awareness raising; (iv) training and development of human resources to respond to CC challenges and create development opportunities; (v) integration of CC and sea level rise concerns into action plans, policies, strategies, planning and sector/field/local development plans; (vi) cooperation with International Governments and donors to mobilize resources, knowledge and experience for the implementation of the Action Plan; and (vii) monitoring, inspection and evaluation of the implementation of the Action Plan. Very importantly, the Plan recognizes that there is an important need for flexibility and locally adapted responses.

#### **Other Important National Frameworks**

- 25 There are two other national instruments are of high importance for CC response and adaptation.
- 26 **The National Strategy For Natural Disaster Prevention (NS-NDP)**, approved by government in 2007, has as its main objectives;
  - The integration of disaster risk management into socio-economic development plans at the national and levels with a focus on disaster response;
  - Ensuring sustainable disaster recovery which integrates disaster risk management;
  - Planning five different regional disaster risk management strategies for the five geographical regions of the country;
  - Combining structural and non-structural measures in disaster risk management and dividing implementation responsibilities and timing for risk reduction among a range of ministries.
- 27 Whereas Viet Nam has traditionally focused on preparedness and response through a strong emphasis on structural measures (e.g., dykes and seawalls), this strategy also places disaster preparedness and forecasting among its foremost objectives. The implementation plan for the

strategy includes a series of actions that offer an opportunity to bring together community-level disaster risk management/vulnerability reduction and CC response. Of particular note are those elements having to do with Community-based Disaster Risk Management (CBDRM):

- Capacity building for local government staff at all levels on managing and implementing CBDRM activities; and,
- Capacity building on CBDRM for communities, including: the formation of community-selected CBDRM working groups in communities; developing participatory community-level hazard and vulnerability maps.

**28** MARD is responsible for development and implementation of the training and capacity building programs while the People's Committees are responsible for the local planning and hazard/vulnerability mapping.

**29** **The National Target Program on New Rural Development (NTP-NRD)** is to implement the ARD sector's "New Agricultural and Rural Development Strategy". The policy calls for structural changes that will widely affect policy, legal frameworks, planning, land use, investment and principal factors of production within the sector and in the rural areas. The intent of the new policy is to speed up industrialization and modernization of the rural sector. MARD is the lead Ministry for the implementation. Among others, the policy calls for:

- Improved natural resource management and CC adaptation for livelihood security, and building capacity at grassroots level for promoting sustainable uses of natural resources to enhance the livelihoods of the farmers;
- Decentralization of decision making and resources covering both economic and social issues;
- The transition of the role of the State in agriculture, from service provider to regulator and facilitator;
- A continued transition to market-oriented agriculture and rural economic development; and
- Economic growth and competitiveness through the creation of non-farm and off-farm employment opportunities through accelerated market-oriented reforms.

**30** Operational details for the implementation of the NTP were defined in a 2010 decision which detailed program's eleven components and their institutional and implementation arrangements. There are three components which are of particular importance in a discussion of climate smart investment and in building resilience for adaptation to CC:

- General master plan for rural development – including all planning processes for the development of "new rural areas", i.e. planning of land use, basic infrastructure, production of agricultural commodities, agro-industry, craft industry, provision of services, socio-economic and environmental infrastructure, new residential areas and improvements to existing residential areas in communes;
- Socio-economic infrastructure development – construction of roads, power grids, clinics, schools, irrigation systems, etc.;
- Economic restructuring, development and income improvement – including restructuring agricultural production towards production of commodities with "high economic efficiency" and; strengthening extension activities, increasing research outputs on advanced technologies for agro-forestry-aquaculture production.



## Appendix 2: Poverty, targeting and gender

1. The Geography of Poverty. The most current estimates (for 2010) put the percentage of the population below the poverty line at 14.2% (World Bank, 2013). Rural areas remain disproportionately affected by poverty. In 2008, the poverty rate in rural areas – 18.7% – was roughly three times that of urban areas. As about 72% of Viet Nam's population lives within rural areas, poverty may be characterized as predominately a rural phenomena. Poverty also has strong ethnic and geographic dimensions. Disproportionate progress has been made in reducing poverty amongst the different ethnic groups. In 2008, rates of poverty were 9% for the majority Kinh/Hoa peoples and 50.3% among the other ethnic minorities (VASS, 2011).
2. Geographically, data from 2008 indicate that the Southeast and the Red River Delta have the lowest rates of poverty in the country (3.5% and 8.1%, respectively). Whereas in the Northwest, where a high percentage of the population are ethnic minorities, the incidence of poverty is many times higher at 45.7%. The Northeast, Central Highlands and the North Central Coast displayed similar incidences of poverty – slightly less than 25%, as did the South Central Coast and Mekong River Delta with rates of around 13% (VASS, 2011). While rates are highest in northern and central regions of the country, in terms of absolute numbers, the poor are concentrated in the regions of the Red River and Mekong Deltas (VASS, 2011).
3. Children and women are particularly vulnerable and often more strongly impacted by poverty in the rural areas. In Viet Nam, most poor children live in rural areas. Among ethnic minority children poverty is especially high. Using multi-dimensional criteria to assess poverty (i.e., not only economic criteria, but also criteria related to child development needs: education, health, housing, clean water, sanitation, not working at an early age, and social protection), the two regions with the highest rates of poverty among children were the Northwest and the Mekong River Delta. In the Mekong River Delta, the rate of multi-dimension poverty was the highest in the country, at 52.8% (GSO, 2009).
4. In all cases, poverty in rural areas is highly correlated with landlessness. Recent studies (World Bank, 2009) have identified indebtedness a major reason for loss of land among ethnic minorities. The indebtedness of rural households is commonly a function of price volatility in agricultural commodities and/or losses from extreme weather events. Richer households were often able to deal with the drop in prices by holding and storing crops in the expectation that prices would rise again. Others reduced their investments, particularly in water and fertilizer. Larger Kinh farmers were more often able to turn to other sources of income but the same was not true for smaller farms and minority farmers. Many minorities had to sell their lands as payment of debts, rather than trying new higher-priced crops, or simply holding on and waiting for better prices, as many Kinh households did. This pattern of loss of land to bad debts was found to be common among Khmer in the Mekong Delta. Unpaid mortgages have become a major cause of landlessness in the Mekong Delta, where 25% of Khmer households are now functionally landless (Le Ngoc Thang et al. 2007).
5. Poverty in the Project Area. According to 2012 poverty data from government, a total of 18.7% of households in Ben Tre Province were either poor (12.6%) or near poor (6.1%). In Tra Vinh, the percentage was significantly higher with some 25.6% of households classified as poor (16.6%) or near poor (9%). On a headcount basis, this would amount to about 0.5 million persons considered as poor or near poor in the two provinces. In the two project provinces:
  - (a) Ben Tre Province comprises one city (Ben Tre city) and eight Districts. The lowest rates of poverty are found in Ben Tre City (<3%) and the District of Chau Thanh that lies immediately to the city's north and northwest (approx. 7%). The highest rates of poverty – ranging between 13.1% and 15.7% – are found in the three coastal districts (Ba Tri, Binh Dai, and Thanh Phu) and Mo Cay Bac District that lies immediately to the southwest of the city. Poverty rates are slightly lower in the remaining three districts (Cho Lach,

Giong Trom, and Mo Cay Nam), ranging from 10.3% to 11.7%. Commune-level data for the fifty poorest communes in the Province demonstrates that poverty is still a widespread phenomenon throughout the Province, with almost 23% of households in these communes being classified in 2012 as poor or near poor. The highest rates of poverty – communes with about one-quarter to over one-third of all households classified as poor or near-poor – tend to be clustered in the coastal and central districts of Ba Tri, Thanh Phu, Moc Cay Bac and Giong Trom. Less than 1% of the population in Be Tre is comprised of ethnic minorities.

- (b) Tra Vinh Province comprises one city (Tra Vinh City) and seven Districts. The lowest rates of poverty are found in Tra Vinh City (8.4%) and the District of Cau Ngang that lies in the southeast of the Province (10.8%). The highest rates of poverty are found in Tra Cu and Chau Thanh Districts (adjoining districts in the centre of the Province), with rates of 36.0% and 30.5%, respectively. The other for districts – Cau Ke, Tieu Can, Duyen Hai, and Cang Long – have rates of poverty ranging from 19.6% to 25.0%. As in Ben Tre, commune-level data shows that poverty remains phenomena found through all districts. In the 50 poorest communes are found 75% of the provinces poor and near poor households. The rate of poor and near poor households is 37%, ranging from 26% to over 54%. The highest rates of poverty – communes where greater than one-quarter to over one-half of all households are poor or near-poor – tend to be clustered in the three central districts of Tra Cu, Chau Tanh, and Cau Ngang.
- (c) Ethnic minorities comprise some 33% of all households in Tra Vinh. These are primarily Khmer peoples, who make up 98% of the ethnic minority peoples in Tra Vinh. Poverty rates among Khmer households are significantly higher than among the Kinh majority. Almost 41% of Khmer households are poor (28.4%) or near poor (12.4%). Comprising less than one-third of all households, the Khmer account for 54.6% and 43.9% of poor and near-poor households in Tra Vinh, respectively. As poverty and ethnicity are highly correlated, in the 50 poorest communes in Tra Vinh are found almost 95% of the provinces poor and near poor ethnic minority households. The poverty rate among ethnic minority households in these communes is 42%, ranging from 17% to 64%.
- (d) Available information on female-headed households in Tra Vinh shows a disproportionate percentage of these are headed by ethnic minority women. Some 34% of poor and near poor households are headed by women and more than one-half (52%) of these households are headed by ethnic minority women. In the 50 poorest communes are located 72% of all poor and near-poor female-headed households and 93% of those headed by ethnic minority women.

6. Worthy of note for both poverty targeting and strategies for poverty reduction, are the structural changes during the last decade in the provincial economies and how those have impacted the sources of household income. Between 2002 and 2010, the proportion of per capita income earned through agriculture (including forestry and fisheries) has declined by 20% in Ben Tre and 30% in Tra Vinh. Income from non-agricultural/other activities has increased by 57% in Ben Tre and 56% in Tra Vinh. And, whereas the contribution of salaries and wages to per capita income has decreased by 6% in Ben Tre by 6% over the period, in Tra Vinh their contribution has increased by 28%<sup>46</sup>.

### **The Nexus between Poverty and the Weather/Climate Related Factors**

7. It is noteworthy that Vietnam is one of the most disaster-prone countries in the world. According to the Vietnam Central Committee for Flood and Storm Control's most recent reports (CCFSC, 2005), there are about 30 tropical cyclones occurring in the Western North Pacific annually, of which 11-12 tropical cyclones land in the South China Sea, and six to eight storms and tropical depressions affect the territory of Vietnam each year. The Mekong Delta ranks amongst the most badly affected geographic

<sup>46</sup> General Statistics Office. 2011. Household living standards survey 2010. Statistical Publishing House.



areas in terms of disaster occurrences, rating highest in terms of flood risk and saline intrusion, and equal highest in terms of storm, landslide, storm-surge and fire risks.<sup>47</sup>

8. There is an apparent strong correlation in Viet Nam between weather and climate risk factors and poverty. In a World Bank study on the social dimension of adaptation to climate, village-level interviews found that community members considered factors directly related to climate to be among the main causes of poverty. In one particular instance, poor households participating in interviews maintained that they had been non-poor up until 2008 when flash floods caused them to lose a significant portion of their assets. Due to drought and crop losses the following year they had been unable to recover. According to the authors of the study “drought and hazard damage were brought up again and again as a main cause of poverty.” (McElwee, 2010).
9. These are not isolated cases. Research by the Vietnam Academy of Social Sciences (2011) has shown that among the factors contributing to falling below the poverty line are exposure to risks from natural disasters, crop and livestock epidemics, harvest losses, and other risks to production. Factors related to remaining below the poverty line included lack of natural capital (having no or insufficient land for cultivation, lacking capital and productive assets, having land but lacking funds for investment), poor education and awareness, and lack of external support, such as technical assistance. To all of these factors, women tend to have greater exposure, including those related to natural disaster and production risks. Poor women are often the most exposed and sensitive to due their involvement in agricultural livelihoods on disaster-prone lands. They are also the less endowed and empowered to recover from disruptions and for shifting to alternative livelihoods (Fortier, 2010).
10. Vulnerability to CC in Viet Nam is socially differentiated. Impacts of extreme weather events are related to poverty status, access to resources, and social security systems. Groups that are already the most socially vulnerable (women, ethnic minorities, and the disabled) are likely to be disproportionately less able to adapt to CCs. The rural poor, and especially these socially vulnerable groups, are also exposed to greater risk given their direct reliance on agriculture and the natural resources base for their livelihoods as well as their greater exposure to natural disasters and their lack of assets and capital to recover or to shift to alternative livelihoods.
11. The issue of vulnerability also extends to households of the non-poor. Recent work (Baluch and Hoa, 2010) suggests that while large numbers of households have moved out of poverty, many have not moved far above the poverty line and remain vulnerable to exogenous shocks that might cause them to fall back into poverty. Among the relevant factors (vulnerabilities) identified were global economic downturns, rises in food and fuel prices and natural disasters (floods).

#### **Poverty Factors in Ben Tre and Tra Vinh.**

12. **These provinces** are located in the Mekong Delta Region, and as noted above, they are highly ranked in terms of vulnerability to climate-related disasters. The poor communes of the two provinces are located mostly in areas frequently affected by natural disasters, floods, storms and droughts. Consequently, they are facing many difficulties and obstacles in socio-economic development as well as in income improvement, especially the risk of a relapse into poverty due to natural disasters.
13. **In summary, the major factors that hinder the poverty reduction** found in Ben Tre and Tra Vinh include:
  - (a) CC Factors. The poorest areas are regularly affected by the impacts of natural disasters such as floods, saline intrusion and drought;
  - (b) Landlessness. Rural people without land are often the first to be disadvantaged when there are shocks to the production system. They lose their jobs and opportunities for seasonal employment when producers are themselves suffering losses of income;

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<sup>47</sup> Ministry of Agriculture and Rural Development, Viet Nam, CCFSC 2005

- (c) Members of an Ethnic Minority, in the case of the project area, to the Khmer minority. Such people are much more likely to be both landless and poor;
  - (d) Female-headed households are more likely to be poor, especially if this is also accompanied by landlessness and/or being a member of an ethnic minority.
14. There are other “cross-cutting” factors which also influence poverty. These include:
- (a) Poorly or inappropriately developed infrastructure. In some areas, roads, key bridges and potable water supplies are either absent or in poor condition. For much of the irrigation infrastructure, the design is predicated on an abundance of water, and when this is not available, the irrigation systems function poorly, leading to crop and income losses.
  - (b) Limited knowledge and skills of the producers on market-orientation and organizing collective economic activities. The previous support by IFAD in these provinces had contributed substantially to improving the producers’ practices in organizing the production in collective economic models (cooperatives, common interest groups) and approaching the domestic and international markets. However, most producers are far from capable in apply the advanced production and business management necessary for sustainable income improvement.
  - (c) Potentially profitable agricultural value chains have not received sufficient investment capital to be fully and sustainably developed. There are significant potential value chains identified, including aquaculture, fruit and tree crops, livestock husbandry, vegetables and field crops. Some innovative models which have been demonstrated which confirm this. However, these value chains have not had sufficient investment from the private sector or from debt financing. The loans offered by VBARD and other financial intermediaries have been limited to a relatively few households, CIGs, cooperatives and SMEs due to their lack of capability in formulating a profitable business/investment plans and lack of collateral.
15. **The factors hindering poverty alleviation suggest the strategies for the project** intervention, taking into consideration the IFAD’s country strategy and the local Government’s socio-economic development priorities.
16. **Target Area.** The project would provide support for investment in awareness and capacity-building related activities to enable adaptation to CC to be implemented throughout the two provinces. However, due to the need to target the poorest and most vulnerable communes, the project would concentrate its support for physical and commercial investments in about 30 communes in each province. The Project would operate wherever possible in NTP for New Rural Development communes. The communes selected would be prioritized by:
- (a) Vulnerability to CC (CC), using the DARD/DONRE 2010 commune ranking on CC vulnerability;
  - (b) Poverty, using the latest DOLISA rankings and survey results; and,
  - (c) Biophysical factors related to CC, such as predicted saline intrusion (worst-case scenarios to 2030) and Sea Level Rise (SLR) impacted areas based on predicted SLR of 17 cm by 2030.
17. The list of the priority communes has been prepared by the provincial authorities in both provinces using these criteria, and is shown in Appendix 1 to this Annex. These would need to be validated during the final project design process.
18. The main groups of rural people targeted for support under the project would be:
- (a) rural poor households without land or other productive assets;
  - (b) rural poor households with land or aquaculture resources; and,
  - (c) ethnic minorities, most notably the Khmer ethnic minority groups resident in Tra Vinh, who lack income, skills and other factors of production.

19. The targeting strategy of the project relies heavily on investment within the priority communes identified by the provinces. This includes cross-cutting factors incorporating CC vulnerability, actual CC effects and poverty.
20. It is noted that in some areas of Tra Vinh, there are significant numbers of people from the Khmer ethnic minority, who constitute up to 30% of the total population. While the previous IFAD supported project has made good progress in orienting this group towards sustainable development, they will require continued training and specially designed interventions to enable their full participation in the project.
21. The landless in the project area, who typically survive by selling their labour to other farmers and businesses, are particularly vulnerable to the effects of CC. There is already a discernible trend whereby they suffer big reductions in income when their employers encounter these negative environmental factors. They would be specifically targeted through the provision of specific vocational training to equip them with the skills to participate as well-remunerated employees of small enterprises and with investment funds to enable them to launch micro-enterprises suited to their limited resource base
22. Other participants who will benefit from the Project include (i) the key farmers who have the skills to promote commercial agricultural production; and, (ii) private market and value chain agri-businesses that find common interest in promoting viable products and services.
23. Gender: Poor women and women-headed household are facing significantly greater obstacles in escaping poverty. These include specific obstacles to their participation in commercial activities, including a general lack of business planning, farm management and technical skills, less access to factors of production and time constraints imposed by cultural and domestic factors. The project will propose specific measures to ensure women's participation in relevant activities. The emphasis on the participation of women in the SEDP will be continued and strengthened further with a mandated 30% women's participation.
24. CC will impact entire households, but women are particularly vulnerable as they are the ones charged with cooking and childcare. Water scarcity and contamination of water will impact them greatly as they will have to fetch water far from their households. The project will assist the households by providing access to safe and clean water for domestic uses. Adjustments to CC through changed cropping patterns will change the workload and income of both men and women e.g. women complain that there are less jobs in production of shrimp than in paddy rice farming. The project will assist women in taking part in the decision making regarding changes in the agricultural production and improve women's opportunities, e.g. through the introduction of vegetable production or livestock rearing, or training in off-farm jobs.
25. The analysis of CC impacts on poverty, other factors pertaining to poverty and agricultural opportunities provide some further guidance on the priorities for project investment at the micro-economic level. Those areas most strongly indicated are:
  - (a) **Provision of support for CC adaptation.** The project would adopt a "no-regrets" policy of support for "climate-smart" investments at the household, CIG and community levels. This would include some of the costs incurred by poor producers in changing their production systems from the currently vulnerable to the future resilient types.
  - (b) **Value Chain Development** will be the strategic approach of the Project and integrated systemically into areas of intervention. Particularly: (i) The VCD will be the backbone of the process of Market-Oriented Socio-Economic Development Planning SEDP system which has been introduced in in the project area; (ii) Studies and consultation/engagement with industry entities to identify and quantify potentially lucrative value chains which are suited to the main physical environments within the project area will be supported; (iii) Capacity building for farmers and small business

owners in business methods and improved/new production techniques, including Training of Trainers; direct training for farmers and vocational training would be linked directly to identified value chains; iv) Community Infrastructure investment would be value chain-based meaning that Investment in infrastructure without clear justification for direct support to VC development will not be eligible for project support. Any investment in productive infrastructure facilities will be made if that directly facilitate and promote pro-poor commercial development. Cost effectiveness of investment, the ratio of poor households benefiting per unit of investment cost and the beneficiary capacity and commitment for operation and maintenance of the investment would be the critical criteria for selecting infrastructure investment.

- (c) **Removing the constraints to rural financing:** Mechanisms for resource accessibility for the SMEs, CIGs, cooperative groups and individuals to leverage the involvement of the private sector would be jointly developed by VBARD, VBSP and other financial institutions with the support of the Project. To reduce the barriers (costs and risks) for commercial banks to lend to rural enterprises, the Project would provide training for credit officers on new procedures and for farmers, groups, coops and enterprises on their rights and obligations as borrowers. It would develop Credit Manual for implementation of targeted lending and provide technical assistance for product development, e.g. disaster insurance to the commercial banks. Another channel to remove the obstacle to rural finance access is the transformation of the currently operating Savings and Credit Groups (SCGs) into professional microfinance institutions (MFI).
- (d) **Rural Infrastructure:** The project would invest in infrastructure items normally considered to essential to enable VC development as mentioned above. These may be specifically oriented towards CC adaptation, as well as being oriented towards improving income-generating opportunities for the poor, thus improving their resilience to CC through improving their assets and incomes.
- (e) **Capacity Building for the farmers/unemployed/landless people to be fully engaged in selected value-chains:** The project would provide specific training for farmers and small business owners in business methods and improved/new production techniques through TOT procedures, as well as direct training to farmers and vocational training linked to selected value chains. This would be important especially for landless people who need improved skills to enable their participation in more demanding occupations. The project interventions for landless people will primarily target those who have the capacity to take part in economic activities and will primarily be supported through job creation and job-skills development. The project will also assist landless in securing access to safe drinking water as part of the overall building of resilience to the impacts of CCs.
- (f) **Gender Specific Investment.** CC will impact entire households, but women are particularly vulnerable as they are the ones charged with cooking and childcare. Water scarcity and contamination of water will impact them greatly as they will have to fetch water far from their households. The project will assist the households by providing access to safe and clean water for domestic uses. Adjustments to CC through changed cropping patterns will change the workload and income of both men and women e.g. women complain that there are less jobs in production of shrimp than in paddy rice farming. The project will assist women in taking part in the decision making regarding changes in the agricultural production and improve women's opportunities, e.g. though the introduction of vegetable production or livestock rearing, or training in off-farm jobs.
- (g) **Khmer Minority.** It is relevant that the Khmer ethnic minority is also specifically targeted in the AMD project. Awareness raising should be highly prioritized to ensure the involvement of the least resourceful members of Khmer communities. Many poor Khmer people do not speak Vietnamese and they should be aided to understand the opportunities offered by the project and encouraged to raise their request for support. It is

also very important that all members of poor communities – Khmer and Kinh alike – know what benefits are delivered to the community.

Appendix 1

Ben Tre Province: Project Commune Details.

District	Commune	CPC Staff		Total Area (ha)	Total Agricultural Land (ha)	Of which					Statistics at end-2012								Total Enterprises	Number of registered private enterprises (business household included)	Number of Cooperatives	Number of Common Interest Groups	Number of Savings and Credit Groups					
		Total Staff	University and College Educated			Perennials land (ha)	Annual crop land (ha)	Aquaculture land (ha)	Forest land (ha)	Salt making land (ha)	Total Households	Total Population	Poor and Near-poor Households (HH)															
													Poor HHs	(%)	Near Poor HHs	(%)	Minority People HHs	(%)										
Total		1,050	202	60,306	43,311	11,812	14,794	15,990	2,615	962	59,912	225,931	9,617	16.1	4,180	7.0	3	0.0	118	2,086	8	308	497					
I. Binh Dai District																												
1	Dai Hoa Loc	42	13	2,389	2,075	390	183	1,455	0	48	2,290	7,847	365	15.9	97	4.2	0	0.0	6	64	0	0	0					
2	Thua Duc	39	9	6,514	4,282	361	259	3,412	128	122	2,052	7,731	486	23.7	140	6.8	0	0.0	5	93	1	30	15					
3	Thanh Tri	42	8	2,379	2,047	732	421	893	0	0	2,212	7,534	423	19.1	82	3.7	0	0.0	9	9	0	7	5					
4	Phu Long	32	5	2,064	1,766	885	638	208	0	0	1,839	6,384	202	11.0	115	6.3	0	0.0	5	48	1	0	0					
5	Loc Thuan	44	7	1,185	908	69	780	57	0	0	2,091	9,093	253	12.1	110	5.3	0	0.0	10	155	0	0	24					
6	Phu Vang	40	7	1,033	704	42	599	63	0	0	1,184	5,011	251	21.2	74	6.3	0	0.0	0	55	0	15	25					
Sub-Total		239	49	15,565	11,781	2,479	2,880	6,089	128	170	11,668	43,600	1,980	17.0	618	5.3	0	0.0	35	424	2	52	69					
II. Thanh Phu District																												
7	Thanh Phong	44	13	6,411	3,852	310	34	2,558	1,221	0	2,382	9,252	520	21.8	205	8.6	0	0.0	4	87	1	3	0					
8	Giao Thanh	41	9	2,039	1,610	841	201	564	0	0	1,598	6,200	259	16.2	112	7.0	3	0.2	7	394	0	24	18					
9	An Dien	41	9	4,238	2,163	1,316	45	2,250	401	0	1,475	5,547	265	18.0	108	7.3	0	0.0	2	25	1	3	10					
10	My An	41	6	3,235	2,079	1,329	220	1,160	0	0	2,224	8,410	480	21.6	257	11.6	0	0.0	0	8	0	2	26					
11	Hoa Loi	41	13	2,019	1,462	810	640	13	0	0	2,198	9,551	407	18.5	49	2.2	0	0.0	0	35	0	5	28					
12	Thoi Thanh	38	11	1,986	1,479	295	1,176	8	0	0	2,006	8,924	302	15.1	142	7.1	0	0.0	0	36	0	12	11					
Sub-total		246	61	19,927	12,645	4,901	2,317	6,553	1,622	0	11,883	47,884	2,233	18.8	873	7.3	3	0.0	13	585	2	49	93					
III. Ba Tri District																												
13	Bao Thanh	37	3	2,603	2,337	495	221	690	328	603	2,758	10,829	499	18.1	273	9.9	0	0.0	5	62	0	16	26					
14	Bao Thuan	37	2	3,240	2,943	520	301	1,697	537	189	2,191	8,632	375	17.1	143	6.5	0	0.0	6	125	1	23	21					

15	An Hiep	40	7	2,65 2	1,572	1,237	187	152	0	0	2,724	11,982	639	23. 5	229	8.4	0	0. 0	4	76	0	5	51
16	An Duc	39	5	1,34 4	941	401	173	367	0	0	1,986	6,922	535	26. 9	138	6.9	0	0. 0	2	46	1	4	51
17	An Ngai Tay	41	6	1,49 2	1,031	763	225	43	0	0	1,766	5,469	292	16. 5	112	6.3	0	0. 0	1	32	0	9	19
18	An Hoa Tay	46	5	1,75 7	1,109	753	197	159		0	2,591	10,65 1	411	15. 9	107	4.1	0	0. 0	5	5	0	32	3
Sub- total		240	28	13,0 88	9,933	4,169	1,30 4	3,108	865	792	14,016	54,48 5	2,75 1	19. 6	1,00 2	7.1	0	0. 0	23	346	2	89	171
IV. Giong Trom District																							
19	Luong Phu	39	6	1,03 1	876	7	869	40	0	0	1,872	8,030	221	11. 9	140	7.5	0	0. 0	2	264	0	9	16
20	Hung Le	40	5	1,88 5	1,092	121	920	13	0	0	2,012	8,241	173	8.6	105	5.2	0	0. 0	0	4	0	0	0
21	Tan Loi Thanh	40	5	1,20 9	1,065	74	995	25	0	0	2,171	8,573	305	14. 0	141	6.5	0	0. 0	0	26	0	1	7
Sub- total		119	16	4,12 5	3,033	202	2,78 4	78	0	0	6,055	24,84 4	699	11. 5	386	6.4	0	0. 0	2	294	0	10	23
V. Mo Cay Nam District																							
22	An Thoi	39	10	1,05 6	921	57	864	1	0	0	2,207	8,962	240	10. 9	129	5.8	0	0. 0	2	127	0	0	0
23	Thanh Thoi	39	6	1,86 2	1,453	70	1,35 6	59	0	0	2,850	11,202	328	11. 5	173	6.1	0	0. 0	5	35	0	9	10
Sub- total		78	16	2,91 7	2,374	127	2,22 0	60	0	0	5,057	20,16 4	568	11. 2	302	6.0	0	0. 0	7	162	0	9	10
VI. Mo Cay Bac District																							
24	Tan Thanh Binh	38	4	1,72 7	1,411	72	1,18 1	67	0	0	3,862	12,45 8	443	11. 5	333	8.6	0	0. 0	16	182	0	11	24
25	Thanh Ngai	31	5	1,09 6	963	6	934	8	0	0	2,382	7,869	390	16. 4	189	7.9	0	0. 0	3	50	1	0	26
26	Thanh An	42	4	1,06 0	915	48	820	13	0	0	2,286	7,465	392	17. 1	181	7.9	0	0. 0	3	86	0	4	21
Sub- total		111	13	3,88 3	3,289	126	2,93 5	87	0	0	8,530	27,79 2	1,22 5	14. 4	703	8.2	0	0. 0	22	318	1	15	71
VII. Cho Lach District																							
27	Phu Son	39	16	1,18 4	790	1.24	774. 7	0	0	0	2,039	6,669	201	9.7	129	6.2	0	0. 0	3	38	0	6	13
28	Hoa Nghia	22	1	1,76 9	1,101	9	1,08 2	6.31	0	0	3,237	12,22 4	307	9.5	263	8.1	0	0. 0	13	126	1	13	30
Sub- total		61	17	2,95 3	1,891	10	1,85 7	6	0	0	5,276	18,89 3	508	9.6	392	7.4	0	0. 0	16	164	1	19	43
VIII. Chau Thanh District																							
29	Quoi Thanh	36	10	676	569	0	452	22	0	0	1,413	4,861	155	11. 0	59	4.2	0	0. 0	2	69	0	7	16
30	Tien Long	39	8	1,29 5	830	0	830	65	0	0	2,069	8,252	197	9.5	231	11. 2	0	0. 0	0	18	0	68	24
Sub- total		75	18	1,97 1	1,399	0	1,28 2	87	0	0	3,482	13,113	352	10. 1	290	8.3	0	0. 0	2	87	0	75	40

**Ben Tre Province: Project Commune Details.**

District	Commune	CPC Staff		Total Area (ha)	Total Agricultural Land (ha)	Of which					Statistics at end-2012								Total Enterprises	Number of registered private enterprises (business household included)	Number of Cooperatives	Number of Common Interest Groups	Number of Savings and Credit Groups
		Total Staff	University and College Educated			Perennials land (ha)	Annual crop land (ha)	Aquaculture land (ha)	Forest land (ha)	Salt making land (ha)	Total Households	Total Population	Poor and Near-poor Households (HH)										
													Poor HHs	(%)	Near Poor HHs	(%)	Minority People HHs	(%)					
Total		1,050	202	60,306	43,311	11,812	14,794	15,990	2,615	962	59,912	225,931	9,617	16.1	4,180	7.0	3	0.0	118	2,086	8	308	497
I. Binh Dai District																							
1	Dai Hoa Loc	42	13	2,389	2,075	390	183	1,455	0	48	2,290	7,847	365	15.9	97	4.2	0	0.0	6	64	0	0	0
2	Thua Duc	39	9	6,514	4,282	361	259	3,412	128	122	2,052	7,731	486	23.7	140	6.8	0	0.0	5	93	1	30	15
3	Thanh Tri	42	8	2,379	2,047	732	421	893	0	0	2,212	7,534	423	19.1	82	3.7	0	0.0	9	9	0	7	5
4	Phu Long	32	5	2,064	1,766	885	638	208	0	0	1,839	6,384	202	11.0	115	6.3	0	0.0	5	48	1	0	0
5	Loc Thuan	44	7	1,185	908	69	780	57	0	0	2,091	9,093	253	12.1	110	5.3	0	0.0	10	155	0	0	24
6	Phu Vang	40	7	1,033	704	42	599	63	0	0	1,184	5,011	251	21.2	74	6.3	0	0.0	0	55	0	15	25
Sub-Total		239	49	15,565	11,781	2,479	2,880	6,089	128	170	11,668	43,600	1,980	17.0	618	5.3	0	0.0	35	424	2	52	69
II. Thanh Phu District																							
7	Thanh Phong	44	13	6,411	3,852	310	34	2,558	1,221	0	2,382	9,252	520	21.8	205	8.6	0	0.0	4	87	1	3	0
8	Giao Thanh	41	9	2,039	1,610	841	201	564	0	0	1,598	6,200	259	16.2	112	7.0	3	0.2	7	394	0	24	18
9	An Dien	41	9	4,238	2,163	1,316	45	2,250	401	0	1,475	5,547	265	18.0	108	7.3	0	0.0	2	25	1	3	10
10	My An	41	6	3,235	2,079	1,329	220	1,160	0	0	2,224	8,410	480	21.6	257	11.6	0	0.0	0	8	0	2	26
11	Hoa Loi	41	13	2,019	1,462	810	640	13	0	0	2,198	9,551	407	18.5	49	2.2	0	0.0	0	35	0	5	28
12	Thoi Thanh	38	11	1,986	1,479	295	1,176	8	0	0	2,006	8,924	302	15.1	142	7.1	0	0.0	0	36	0	12	11
Sub-total		246	61	19,927	12,645	4,901	2,317	6,553	1,622	0	11,883	47,884	2,233	18.8	873	7.3	3	0.0	13	585	2	49	93
III. Ba Tri District																							
13	Bao Thanh	37	3	2,603	2,337	495	221	690	328	603	2,758	10,829	499	18.1	273	9.9	0	0.0	5	62	0	16	26
14	Bao Thuan	37	2	3,240	2,943	520	301	1,697	537	189	2,191	8,632	375	17.1	143	6.5	0	0.0	6	125	1	23	21
15	An Hiep	40	7	2,652	1,572	1,237	187	152	0	0	2,724	11,982	639	23.5	229	8.4	0	0.0	4	76	0	5	51



16	An Duc	39	5	1,34 4	941	401	173	367	0	0	1,986	6,922	535	26. 9	138	6.9	0	0. 0	2	46	1	4	51
17	An Ngai Tay	41	6	1,49 2	1,031	763	225	43	0	0	1,766	5,469	292	16. 5	112	6.3	0	0. 0	1	32	0	9	19
18	An Hoa Tay	46	5	1,75 7	1,109	753	197	159		0	2,591	10,65 1	411	15. 9	107	4.1	0	0. 0	5	5	0	32	3
Sub- total		240	28	13,0 88	9,933	4,169	1,30 4	3,108	865	792	14,016	54,48 5	2,75 1	19. 6	1,00 2	7.1	0	0. 0	23	346	2	89	171
IV. Giong Trom District																							
19	Luong Phu	39	6	1,03 1	876	7	869	40	0	0	1,872	8,030	221	11. 9	140	7.5	0	0. 0	2	264	0	9	16
20	Hung Le	40	5	1,88 5	1,092	121	920	13	0	0	2,012	8,241	173	8.6	105	5.2	0	0. 0	0	4	0	0	0
21	Tan Loi Thanh	40	5	1,20 9	1,065	74	995	25	0	0	2,171	8,573	305	14. 0	141	6.5	0	0. 0	0	26	0	1	7
Sub- total		119	16	4,12 5	3,033	202	2,78 4	78	0	0	6,055	24,84 4	699	11. 5	386	6.4	0	0. 0	2	294	0	10	23
V. Mo Cay Nam District																							
22	An Thoi	39	10	1,05 6	921	57	864	1	0	0	2,207	8,962	240	10. 9	129	5.8	0	0. 0	2	127	0	0	0
23	Thanh Thoi	39	6	1,86 2	1,453	70	1,35 6	59	0	0	2,850	11,202	328	11. 5	173	6.1	0	0. 0	5	35	0	9	10
Sub- total		78	16	2,91 7	2,374	127	2,22 0	60	0	0	5,057	20,16 4	568	11. 2	302	6.0	0	0. 0	7	162	0	9	10
VI. Mo Cay Bac District																							
24	Tan Thanh Binh	38	4	1,72 7	1,411	72	1,18 1	67	0	0	3,862	12,45 8	443	11. 5	333	8.6	0	0. 0	16	182	0	11	24
25	Thanh Ngai	31	5	1,09 6	963	6	934	8	0	0	2,382	7,869	390	16. 4	189	7.9	0	0. 0	3	50	1	0	26
26	Thanh An	42	4	1,06 0	915	48	820	13	0	0	2,286	7,465	392	17. 1	181	7.9	0	0. 0	3	86	0	4	21
Sub- total		111	13	3,88 3	3,289	126	2,93 5	87	0	0	8,530	27,79 2	1,22 5	14. 4	703	8.2	0	0. 0	22	318	1	15	71
VII. Cho Lach District																							
27	Phu Son	39	16	1,18 4	790	1.24	774. 7	0	0	0	2,039	6,669	201	9.7	129	6.2	0	0. 0	3	38	0	6	13
28	Hoa Nghia	22	1	1,76 9	1,101	9	1,08 2	6.31	0	0	3,237	12,22 4	307	9.5	263	8.1	0	0. 0	13	126	1	13	30
Sub- total		61	17	2,95 3	1,891	10	1,85 7	6	0	0	5,276	18,89 3	508	9.6	392	7.4	0	0. 0	16	164	1	19	43
VIII. Chau Thanh District																							
29	Quoi Thanh	36	10	676	569	0	452	22	0	0	1,413	4,861	155	11. 0	59	4.2	0	0. 0	2	69	0	7	16
30	Tien Long	39	8	1,29 5	830	0	830	65	0	0	2,069	8,252	197	9.5	231	11. 2	0	0. 0	0	18	0	68	24
Sub- total		75	18	1,97 1	1,399	0	1,28 2	87	0	0	3,482	13,113	352	10. 1	290	8.3	0	0. 0	2	87	0	75	40



Tra Vinh Province: Project Commune Details.

No	District/Commune	CPC Staff		Total Area (ha)	Total Agricultural Land (ha)	Of which					Statistics at end-2012								Number of registered private enterprises	Number of registered business households	Number of Cooperatives	Number of Common Interest Groups	Number of Savings and Credit Groups					
		Total Staff	University and College Educated			Annual Crop Land (ha)	Perennial Crop Land (ha)	Aquaculture Land (ha)	Forest Land (ha)	Salt Making Land (ha)	Total Households	Total Population	Poor and Near-poor Households (HH)															
													Poor HHs	(%)	Near Poor HHs	(%)	Minority People HHs	(%)										
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24					
	Total	654	286	86,585	73,589	45,756	13,728	9,474	2,966	0	85,997	286,604	23,154	27	9,872	11	20,713	24	183	2,953	38	283	1,462					
I	Trà Cú District	108	49	10,642	9,206	6,856	1,205	227	0	0	13,280	51,813	4,401	33.1	1,705	12.8	4,428	33.3	24	260	1	25	112					
1	Đôn Châu	22	9	3,129	2,669	1,501	147	102			3,294	12,435	1,315	39.9	471	14.3	1,389	42.2	3	34	0	11	27					
2	An Quảng Hữu	22	10	2,509	2,015	1,660	351	4			2,796	11,327	1,007	36.0	214	7.7	557	19.9	7	51	0	3	52					
3	Thanh Sơn	22	9	1,414	1,271	1,107	160	4			1,987	7,507	679	34.2	338	17.0	719	36.2	3	38	0	2	5					
4	Tân Hiệp	20	10	2,337	2,170	1,856	307	7			2,547	9,953	869	34.1	234	9.2	917	36.0	1	19	0	7	11					
5	Đại An	22	11	1,253	1,081	732	240	110			2,656	10,591	531	20.0	448	16.9	846	31.9	10	118	1	2	17					
II	Cầu Ngang District	107	45	12,572	11,743	8,507	1,680	997	0	0	13,300	50,497	4,332	32.6	1,712	12.9	4,531	34.1	19	312	1	27	167					
1	Long Sơn	21	7	3,091	2,911	1,504	448	697			2,917	11,621	1,217	41.7	135	4.6	863	29.6	6	68	0	3	35					
2	Trường Thọ	20	8	2,221	2,065	1,785	202	6			2,690	9,425	1,034	38.4	244	9.1	1,070	39.8	1	44	0	7	29					
3	Thạnh H. Sơn	22	15	2,291	2,139	1,547	242	268			2,370	8,044	840	35.4	443	18.7	939	39.6	3	44	0	4	18					
4	Nhị Trường	22	7	2,740	2,564	1,988	490	14			2,811	11,408	786	28.0	551	19.6	1,155	41.1	3	84	1	8	40					
5	Hiệp Hòa	22	8	2,229	2,064	1,683	298	12			2,512	9,999	455	18.1	339	13.5	504	20.1	6	72	0	5	45					
III	Châu Thành District	112	51	13,666	12,129	9,705	2,293	52	0	0	15,283	56,699	3,971	26.0	1,891	12.4	3,915	25.6	45	653	26	42	325					
1	Hòa Lợi	22	9	1,599	1,371	1,131	228	12			2,485	9,764	705	28.4	168	6.8	694	27.9	11	183	1	9	68					
2	Mỹ Chánh	23	11	2,667	2,381	2,036	307	18			2,981	10,868	778	26.1	443	14.9	647	21.7	8	155	8	11	71					

3	Đa Lộc	23	9	3,651	3,232	2,815	361	8			3,646	13,277	945	25. 9	806	22. 1	1,410	38. 7	1	75	8	12	69
4	Lương Hòa	23	9	2,296	2,037	1,201	821	11			2,831	10,466	729	25. 8	132	4.7	563	19. 9	18	130	8	0	71
5	Song Lộc	21	13	3,453	3,108	2,522	576	3			3,340	12,324	814	24. 4	342	10. 2	601	18. 0	7	110	1	10	46
IV	Cầu Kè District	106	49	13,589	11,639	8,169	3,349	28	0	0	15,227	53,473	3,792	24. 9	1,435	9.4	3,739	24. 6	25	537	1	34	251
1	Phong Phú	19	7	2,781	2,564	1,943	617	3			3,054	10,759	1,045	34. 2	335	11. 0	1,082	35. 4	6	146	0	4	55
2	Châu Điền	22	13	3,084	2,850	2,259	590	0			3,443	11,284	967	28. 1	259	7.5	1,071	31. 1	3	75	0	1	57
3	Hòa Ân	22	9	2,021	1,831	1,340	487	5			2,523	9,759	568	22. 5	298	11. 8	659	26. 1	5	82	0	5	31
4	Phong Thạnh	23	12	2,677	2,543	1,982	468	2			3,133	11,379	683	21. 8	133	4.2	474	15. 1	8	156	0	23	60
5	Hòa Tân	20	8	3,026	1,851	645	1,187	18			3,074	10,292	529	17. 2	410	13. 3	453	14. 7	3	78	1	1	48
V	Tiểu Cần District	83	28	9,330	8,012	5,520	2,460	17	0	0	9,886		2,210	22. 4	1,021	10. 3	974	9.9	16	348	0	53	248
1	Tân Hòa	21	5	2,848	2,128	1,259	861	6			2,952	11,724	826	28. 0	339	11. 5	364	12. 3	6	85	0	2	62
2	Hùng Hòa	19	7	1,847	1,655	1,119	530	3			1,894	7,242	461	24. 3	246	13. 0	377	19. 9	2	61	0	12	45
3	Long Thới	21	5	2,732	2,482	1,923	549	6			3,216	11,370	543	16. 9	298	9.3	205	6.4	6	117	0	0	91
4	Ngãi Hùng	22	11	1,903	1,747	1,219	520	2			1,824	7,365	380	20. 8	138	7.6	28	1.5	2	85	0	39	50
VI	Duyên Hải District	67	30	18,373	13,386	1,628	653	8,137	2,966	0	8,794	35,474	2,275	25. 9	1,134	12. 9	1,786	20. 3	19	436	1	68	142
1	Ngũ Lạc	24	11	3,484	3,047	1,389	408	1,248			3,888	17,304	1,420	36. 5	543	14. 0	1,446	37. 2	11	181	1	18	76
2	Long Khánh	22	10	5,321	4,568	7	79	4,304	178		1,582	6,102	308	19. 5	153	9.7	37	2.3	3	142	0	19	11
3	Long Vĩnh	21	9	9,568	5,771	232	166	2,585	2,788		3,324	12,068	547	16. 5	438	13. 2	303	9.1	5	113	0	31	55
VII	Càng Long District	71	34	8,413	7,474	5,371	2,088	16	0	0	10,227	38,648	2,173	21. 2	974	9.5	1,340	13. 1	35	407	8	34	217
1	Huyện Hội	23	10	3,473	3,118	2,537	577	4			3,674	14,190	871	23. 7	215	5.9	274	7.5	7	118	2	7	78
2	Bình Phú	25	10	2,723	2,402	1,504	891	7			3,489	13,103	692	19. 8	284	8.1	508	14. 6	11	138	2	9	55

Socialist Republic of Viet Nam  
Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces  
Final project design report

	Affected actors (Climate change scenario)	Current poverty rate	Target year for New rural development	Notes for IFAD funded DBRP
	Water level rise, flooded			
<b>I. Binh Dai district</b>				
	>10‰	x	15.90%	By 2020
	>10‰	x	23.70%	By 2021
	>10‰	x	19.12%	By 2022
	>4‰		10.40%	By 2015
	>4‰		12.30%	By 2020
	>4‰		21.47%	By 2020
				x
<b>II. Thanh Phu district</b>				
	>10‰	x	20.40%	By 2020
	>10‰	x	15.80%	By 2020
	>10‰		17.99%	By 2020
	>10‰		21.56%	By 2020
	>4‰	x	18.52%	By 2020
	>4‰		15.10%	By 2020
				x
<b>III. Ba Tri district</b>				
	>10‰	x	17.12%	By 2020
	>10‰		18.09%	By 2020
	>10‰	x	23.46%	By 2020
	>10‰	x	26.94%	By 2020
	>10‰	x	15.90%	By 2020
	>4‰	x	17.02%	By 2020
				x
<b>IV. Giang Trom district</b>				
	>4‰	x	11.50%	By 2020
	>4‰	Riverside islet land		x
	>4‰		12.40%	By 2020
				x
<b>V. Mo Cay Nam district</b>				
	>4‰	x	10.90%	By 2015
	<4‰		11.50%	By 2020
				x
<b>VI. Mo Cay Bac commune</b>				
	<4‰	x	11.96%	By 2015
	<4‰		16.40%	By 2020
	<4‰		17.16%	By 2020
				x
<b>VII. Cho Lach district</b>				
	<4‰		9.69%	By 2015
	<4‰	x	9.50%	By 2020
				x
<b>VIII. Chau Thanh district</b>				
	<4‰	x	10.31%	By 2020
	<4‰	Riverside islet land		x

Proposed Project Area - Tra Vinh					Vulnerability Sea level rise (SLR), salinity intrusion (SI), temperature rise (TR), etc	CC Vulnerability	Ranking Poor/Near Poor HHs				
District/Commune	Households			Affected by CC			Ranking	NTP-NRD	% Poor/Near Poor	# of Poor/Near Poor	
	Total	Poor/Near Poor	Poor/Near Poor								Ethnic Minority
Tra Cu District											
Đồn Châu	3,294	1,786	1,389		SLR, SI, TR, etc	?	X	1	2		
An Quàng Hữu	2,796	1,221	557		SLR, SI, TR, etc	?	X	11	12		
Thanh Sơn	1,987	1,017	719		SLR, SI, TR, etc	?	X	3	23		
Tân Hiệp	2,547	1,103	917		SLR, SI, TR, etc	?	X	12	17		
Dại An	2,656	979	846	X	SLR, SI, TR, etc	?	X	22	22		
Cầu Ngang District											
Long Sơn	2,917	1,352	863	X	SLR, SI, TR, etc	?	X	8	8		
Trường Thọ	2,690	1,278	1,070		SI, TR, etc	?	X	7	10		
Thanh H. Sơn	2,370	1,283	939		SLR, SI, TR, etc	?	X	2	9		
Nhị Trường	2,811	1,337	1,155		SI, TR, etc	?	X	6	6		
Hiệp Hòa	2,512	794	504	X	SI, TR, etc	?	X	31	36		
Châu Thành District											
Hòa Lợi	2,485	873	694		SI, TR, etc	?	X	25	38		
Mỹ Chánh	2,981	1,221	647	X	SI, TR, etc	?	X	15	13		
Đa Lộc	3,646	1,751	1,410		SI, TR, etc	?	X	5	3		
Lương Hòa	2,831	861	563		SI, TR, etc	?	X	32	30		
Sông Lộc	3,340	1,156	601		SI, TR, etc	?	X	26	14		
Cầu Kê District											



water management and transport infrastructure is needed. Rural markets are characterized by weak farmer access to market information, limited integration along value chains, low levels of value addition, and continued dominance by state- owned enterprises of some commodities and markets, notably export markets.

6. These business, market and quality constraints, combined with an underdeveloped processing sector, represent a very significant loss of investment, revenue and employment opportunities, while seriously constraining farm profitability. With higher rural labour wages and an increasingly scarce natural resource base, the agriculture sector urgently needs to further diversify production to higher-quality products, promote value addition and processing, and increase efficiency while ensuring resource-base sustainability.
7. Although 9 million hectares (ha) of agricultural land have been issued to 12 million households and 11.5 million land-use rights certificates (LURCs) approved, the land reform process is incomplete, requiring further investment in LURC issuance, land information systems and land-use planning and consolidation, and the incorporation of customary land tenure into collective land use rights, particularly for “residential communities” of ethnic minorities. Unsustainable natural resource use, particularly of water and in the forestry sector, leads to problems of water scarcity and land degradation, including saline intrusion and loss of biodiversity and flooding. This is amplifying vulnerability to CC and natural climate hazards, which are increasing in frequency and severity. These constraints are compounded by the limited capacity of supporting institutions, particularly at provincial and lower levels.
8. In the period 1993-2008, national poverty incidence declined from 58.1 percent to 14.5 percent, and to under 10 % in 2010, lifting some 30 million Vietnamese people out of poverty. Rural poverty incidence over that same period fell from 66.4 to 18.7% and to 17.4% in 2010. Poverty, however, remains predominantly a rural phenomenon: rural people comprised 91 % of total poor people in 2010 a figure that has shown little decline since 1993 when it stood at 95%. While ethnic minorities represent only 15% of the total population, the poverty rate among ethnic minority people, at 45%, is of particular concern. Poverty rates vary significantly among ethnic groups. Factors for the higher incidence of poverty among minority peoples include: lower enrolment in primary education and earlier departure from formal education; lower quality of endowments in community, educational or physical assets and lower returns on assets; location in isolated, less endowed, more disaster-prone areas; lack of social, physical, human and financial capital; greater dependence on agricultural sources of income; reduced access to employment opportunities and lower received wages; social constraints on the transition from communal to market-based land tenure systems; inability to speak the majority language, i.e. Kinh Vietnamese; and negative stereotyping of minority communities.
9. Women, particularly rural and ethnic women, continue to be disadvantaged in terms of the nature of opportunities and quality of resources available to them, despite the passage of gender equality legislation. Women are overrepresented in economic sectors that are vulnerable in times of economic downturn, including the informal sector, and still lack equal access to land tenure (women hold just 19% of Land Use Right Certificates) and to agricultural credit and technologies. Despite Viet Nam’s progress towards educational equity, girls are more likely to drop out of school as a result of the demands of domestic work. One fifth of ethnic girls have never attended school and, in secondary school, lag behind their Kinh counterparts’ enrolment by 10%. Inadequate knowledge of the benefits of breastfeeding and micronutrients, and lack of women’s time for child and personal care, appear to be the main contributing factors in stunting. Reduction of the persistently high levels of child malnutrition in ethnic communities and of the early departure of minority girls from the formal education system are specific concerns for longer-term poverty reduction.
10. The nexus between climate risk and poverty is of growing concern. The most socially vulnerable groups (women, ethnic minorities and the disabled) are likely to be disproportionately less able to adapt to CC. They are exposed to greater risk, given their frequent direct reliance on agriculture and the natural resource base for their livelihoods, their greater exposure to natural disasters and their lack of

assets and capital to recover or to shift to alternative livelihoods, and their susceptibility to climate-related health problems.

11. **Past Performance of the IFAD Portfolio**<sup>48</sup>. The 2011 IFAD Country Portfolio Evaluation (CPE) found overall performance of the country programme to be satisfactory, particularly in terms of support for decentralization, capacity-building, participatory planning, gender mainstreaming, small-scale infrastructure, development of savings and credit groups (SCGs), and improving rural livelihoods through production for markets. The CPE found that the country programme has had a positive impact on household income and assets, particularly through the women-centred savings and loan programme, increased levels of agricultural productivity, and investment in livestock and improved animal health services. The impact that the country programme has had on the quality of women's lives and empowerment is positive, while vocational training has been important for income diversification and promoting non-farm employment for rural youth. In terms of efficiency, much has been achieved with regard to project implementation and management, capacity-building at the provincial, district and commune levels, planning, coordination, monitoring and evaluation (M&E), and direct supervision and implementation support. The CPE noted that in every province in which IFAD has been active there is evidence of a significant reduction in levels of poverty.
12. The CPE also pointed out the need for a holistic approach to the continued development of ethnic minorities in upland areas. There is a need for a strengthened market oriented approach, more comprehensive geographic coverage, a more favourable credit environment for smallholders, more strategic knowledge management, strengthening of partnerships, increased counterpart funding by the Government, and a strategic approach to the conservation of natural resources and the response to CC.
13. Lessons. The key lessons from the on-going portfolio include:
  - (a) Application of participatory, market-oriented local economic planning processes in poor province needs:
    - (i) Coordination among agencies through project steering committees and technical task forces;
    - (ii) Staff capacity to prepare and implement participatory market-oriented socio-economic planning processes and value chain approaches; and,
    - (iii) Integration of market information and value chain analysis in the market-oriented participatory SEDP process.
  - (b) Poverty targeting and gender mainstreaming under the market-oriented approach with market linkages can benefit poor rural women and men through:
    - (i) Selection and promotion of pro-poor value chains that create employment and relevant production, processing and marketing systems for poor people;
    - (ii) Farmer-to-farmer extension and increased use of appropriate technologies for adoption by poor farmers, particularly ethnic minorities;
    - (iii) Vocational training opportunities for poor households, targeting ethnic minorities and women; and,
    - (iv) Market-based infrastructure and improved connectivity in remote areas.
  - (c) For the empowerment of ethnic minorities, and particularly ethnic women, engagement in community decision-making, representation in local institutions, off-farm employment opportunities, women's land-use entitlement, and women's SCGs for investment in improved agricultural productivity, livestock production and animal health have proved to be successful.
  - (d) The voluntary development of common-interest groups (CIGs) can promote the transition from subsistence- to commodity-oriented production and serve as a foundation for poor

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48 A table showing DBRP and IMPP project outcome targets and the extent to which these have been met is detailed in Appendix 3, Annex 1.



people to cooperate with better-off groups and private business. Improved collaboration with mass organizations, such as the Viet Nam Farmers' Union (VFU) and VWU, and with key farmers in facilitating CIG development has been shown to work. CIGs with access to credit and women's SCGs have been most successful in this context.

- (e)** Private stakeholders and service providers drive the development of markets, value chains and investment in agriculture production and processing, including in poor areas, where:
  - (i)** Legislation and policies are in place that enable the private sector and strengthen competitiveness and transparency;
  - (ii)** Capacities of province and district staff for private-sector promotion are available;
  - (iii)** Access to finance, skills and market information is possible.
- (f)** Partnering with the small- and medium-scale private entities can impart much-needed technologies and skills to smallholders – in turn opening markets to them.

**14.** With regard to CC and disaster risk management, relevant lessons from local experience include:

- (a)** Policies to adapt to CC need to be focused on poor and vulnerable people;
- (b)** Adaptation to CC in high-risk, marginalized communities should target “no regret” approaches, i.e. those that have little additional cost in enhancing livelihoods, sustainable agriculture and poverty reduction;
- (c)** As the poor are the most vulnerable to climate risks, emphasis on improving their incomes is of itself a viable climate-risk adaptation strategy;
- (d)** Capacities of agricultural and water systems to cope with current weather variability must be enhanced, while remaining sufficiently flexible; and,
- (e)** Increased long-term investment in agricultural knowledge and dissemination is important in supporting farmer adaptation to CC.

ANNEX 1. DBRP and IMPP project outcome targets and the extent to which these have been met

Indicator (within project communes)	Tra Vinh		Ben Tre	
	Baseline	Final Survey 2012	Baseline	Annual survey 2012
Prevalence of child malnutrition	21%	10%	13%	survey 2013
Proportion of HHs facing food shortages	45%	14%	7%	survey 2013
Rate of poor HHs in project communes	40%	14%	18% (2010)	13%
Rate of poor HHs in province	31%	10%	17% (2010)	11%
<b>Household Assets:</b>				
+ Electricity	93%	94%	94%	survey 2013
+ Radio	33%	23%	45%	survey 2013
+ Television	80%	88%	86%	survey 2013
+ Refrigerator	8%	16%	15%	survey 2013
+ Bicycle	80%	80%	82%	survey 2013
+ Motorcycle	55%	78%	59%	survey 2013
+ Car	0%	1%	0%	survey 2013
+ Cooker	NA	NA	66%	survey 2013
+ Boat or ship	9%	2%	15%	survey 2013
Rate of HHs with increased yields in coconut		60%		
Rate of HHs with significantly increased income in rice		45%		
Rate of HHs with significantly increased income in cattle		35%		
Rate of HHs with some increase in income in pig		85%		
Rate of HHs with enhanced productivity in livestock				28%
Rate of HHs with enhanced productivity in cultivation				39%
Rate of HHs with enhanced productivity in aquafarming				32%
Rate of project communes implementing participatory market oriented SEDP		100%		100%

Number of functioning infrastructure projects		336		329
Number of infrastructure project beneficiaries		190000		survey 2013
Rate of participants with stable employment after vocational training		91%		over 90%
Number of CiG/CGs established/strengthened		694		530
Number of CiG/CGs with established market link		241		124
Number of enterprises supported with investments		36		8
Number of jobs created through enterprise investment support		3,005		300
Number of Credit and Savings Groups		1173		400
Number of Credit and Savings Group beneficiaries		21886 (women)		1900 (HHs)
Total disbursement to SCGs (Billion VND)		23		7.4
Rate of HHs with access to finances		73%		survey 2013
Rate of HHs with savings through savings and credit groups		41%		survey 2013

## Appendix 4: Detailed project description

### Introduction

- 1 The principle orienting policy and strategy frameworks to guide CC adaptation in the agriculture and rural development are:
  - a) the National Target Program to Respond to CC (NTP-RCC);
  - b) the Action Plan Framework for Adaptation to CC in the Agriculture and Rural Development Sector Period 2008-2020; and,
  - c) MARD's Action Plan in Response To CC Of The Agriculture And Rural Development In Period 2011-2015 And Vision To 2150 (RCC-ARD).
- 2 The AMD Project is to be aligned with and support the implementation of these national policies and strategies. Specifically, a key policy issue and focal area of the project will be to enhance the capacity of poor rural households to adapt to CC through integration of pro-poor CC considerations into the Socio-Economic Development Planning (SEDP) framework. This will directly support Decision 158/2008/QDTTg on the NTP-RCC and MARD's Action Plan Framework for Adaptation to CC in the Agriculture and Rural Development Sector. Other specific areas of support would include:
  - a) From MARD's Action Plan:
    - (i) further evaluation of CC and sea level rise impacts on ARD and development of mitigation and adaptation measure and solutions;
    - (ii) development of specific programs/projects in response to projected impacts;
    - (iii) awareness raising;
    - (iv) training and development of human resources to respond to CC challenges and create development opportunities;
    - (v) integration of CC and sea level rise concerns into action plans, policies, strategies, planning and sector/field/local development plans;
    - (vi) support to cooperation to mobilize resources, knowledge and experience for the implementation of the Action Plan; and,
    - (vii) monitoring, inspection and evaluation of implementation results.
  - b) Alignment with MARD's Tam Nông strategy on Agriculture, Farmers and Rural Areas and its Agriculture-Sector Development Plan at commune-level to complement investments and integrate CC response.
  - c) Linkages with and support to National Program on Community-based Disaster Risk Management to 2020 (1002/QD-TTg) through, among others, extending system for salinity monitoring and providing near-real time information to end-users and supporting development of capacity for making agricultural forecasts of the ENSO cycles to inform farmers; capacity building for local government staff at all levels on managing and implementing; developing participatory community-level hazard and vulnerability maps, integrating CC concerns and; small-scale works for disaster prevention, response and management in the community.

### Development objective and impact indicators

- 3 The **Goal** of the project is the achievement of "sustainable livelihoods for the rural poor in a changing environment". The **Objective** of the project is the "strengthened adaptive capacity of target communities and institutions to better contend with CC".
- 4 The main impact **indicators at the goal level** will be:

- a) 40% reduction in the prevalence of child malnutrition<sup>49</sup>
- b) 30,000 poor and near poor households with at least 25% improvement in household assets ownership index<sup>1</sup>
- c) 60% reduction in income poverty in project communes (differentiated data for poor/near poor, ethnic minority & women-headed households)<sup>50</sup>

**5 The main impact indicators at the development objective level will be:**

- a) 100% of provincial communes and districts effectively implementing annual climate smart, participatory market oriented planning for demand-driven rural development public investment<sup>51</sup>
- b) At least 30,000 poor smallholder household members whose climate resilience has been increased 30% (gender and ethnic minority disaggregated)<sup>52,53</sup>
- c) At least USD 30 million equivalent invested in profitable climate smart infrastructure, farming systems and enterprises in project communes.

## Outcomes

- 6** The main anticipated outcomes from the AMD include: (i) communities and institutions have the capacity to effectively respond to the impact of CC; (ii) CC considerations integrated into SEDP processes (iii) increased and more inclusive financing for market oriented, climate smart agriculture and agri-business investments; and (iv) economically viable climate resilient farming, aquaculture and other livelihood options are widely adopted.

## Components

- 7** The project comprises two inter-related components with supporting sub-components and activities. The two components are: (i) Building Adaptive Capacity; and (ii) Investing in Sustainable Livelihoods.

### COMPONENT 1: BUILDING ADAPTIVE CAPACITY

- 8** Component 1 aims to *develop a comprehensive agriculture sector climate change adaptation management framework, operating with participating communities, institutions and provinces*. It consists of two provincial department-led sub-components: (a) CC knowledge enhancement; (b) Climate-informed planning. These sub-components build on work already undertaken by research institutions, development partner agencies and IFAD's own experience. The AMD project will fill in gaps in knowledge on developing viable livelihood options in the face of increasing salinity, temperature and water stress, and make CC concerns explicit in the planning and resource allocation processes at the provincial level.

#### Sub-component 1.1 – Climate Change knowledge enhancement

- 9** This Sub-component consists of three activities: (a) Building an evidence base for adaptation (b) Water quality monitoring and reporting and (c) Knowledge management and dissemination. The key investment activities of AMD under Sub-component 1.1 are described below.

#### Building an evidence base for adaptation.

<sup>49</sup> Mandatory RIMS indicator as per DEPOCEN. 2012. *M&E Manual Guide for IFAD Funded Projects in Vietnam*. Hanoi. 10/2012. IFAD/Vietnam: *Managing For Impact in Rural Development*. 196 pp.

<sup>50</sup> Indicator from COSOP & National Target Program for New Rural Development (*Tam Nong*)

<sup>51</sup> Effectiveness will be measure in terms of achievement of annual targets: e.g. level of – enterprise investment, poverty reduction, public infrastructure development, production/productivity improvement, etc. This data is collected by the Statistical Office and can be aggregated by DPI.

<sup>52</sup> Indicator from ASAP

<sup>53</sup> The AMD will explore the incorporation of the FAO Resilience Took

(<http://www.fao.org/docrep/013/al920e/al920e00.pdf>) questionnaire into the RIMS baseline survey. As this is a rapidly emerging field, the role of other resilience measuring tools will be explored closer to project inception.

- 10 Possible Research Areas.** While the on-going GoV investment in physical works to protect against CC impact is providing benefits, it is also apparent that there is a wealth of information on procedures, techniques and systematic models which could enhance the ability of farmers and rural people to prosper within the parameters imposed by CC. Project investment in the following activities would enable better access to this information for the communities affected by CC.
- 11** The project would support the conduct of research and studies to identify and assess techniques and procedures to improve farming and rural enterprises. Indicative examples of activities that could be supported include the following.
- 12** Some of these areas are beginning to witness less available fresh water and to cope with that are diversifying their production by integrating fruits, vegetables and coconuts with the rice cultivation. It will be appropriate to support the farming community in these efforts to adapt to this or other inevitable CC impacts. Communities would be enabled to do so through training in other parts of the provinces where problems of irrigation water quality and quantity are more pertinent and where communities have more experience adapting to these changes. The project would also provide the necessary financial support to implement conversion to more resilient systems when needed.
- 13** Research on saline tolerant crops, notably paddy rice varieties is on-going and the Cu Long Delta Rice Research Institute and the Can Tho University are testing high yielding saline tolerant varieties. High yielding saline tolerant varieties are capable of maintaining productivity levels up to 4 g/l and supersede other high yielding varieties by producing as much as 1 to 2 ton per ha at these high salinity levels. The introduction of saline tolerant varieties in areas with a salinity maximum of 4 g/l will allow the farmers in these highly productive areas to continue producing three crops per year without lowering yields.
- 14** The areas closer to the coast are impacted by extended periods with brackish irrigation water and with saline level higher than 4 g/l. In these areas farmers grow one or two low yielding crops per year. Yields are low and as an adaptation practice to high salinity, farmers may swap one rice crop with shrimp production in the dry season. Some farmers leave rice production entirely and convert their farming system to shrimp or coconut production. Rice varieties grown in coastal near areas are generally hardy traditional varieties, which are relatively tolerant to salinity and high water levels. There is however, scope for considerable improvement of the productivity with the introduction of higher yielding saline tolerant varieties, which will strengthen the economy and resilience of these farmers, who are the ones most prone to the negative impacts of CC.
- 15** Farmer groups will work directly with researchers and extension personnel from DARD and Tra Vinh University (TVU), using Participatory Action Research (PAR) approaches, to ensure that feedback from the farming reality is informing research.
- 16** Irrigation water quality, notably salinity content, is of great importance for the crops and farmers should be made aware of the best practices to avoid excessive accumulation of salts in the soil. Adaptive research would be conducted with participation of farmer groups (CIGs) to improve irrigation techniques and reduce salinization accumulation in the fields. Simple methods building on farmers' practice and knowledge should be utilised to develop methods to improve irrigation practice and hereby enhance water efficiency and reduce salt accumulation.
- 17** The most appropriate use of water quantity and frequency of watering will be an integrated part of the adaptive research. Paddy cultivation applying SRI techniques, improved sugar cane yields and sugar content, and coconuts yields are all strongly positively correlated with timely and optimal application of irrigation water; the adaptive research will thus focus on determining the optimal management of irrigation. Devices such as conductivity meters would be used to assess salt content in the irrigation water at the farm and community level. Other adaptive research and demonstrations will be linked to testing the applicability of water saving irrigation systems fed with water from tube wells.
- 18** Farming systems. Farmers are adapting to higher temperatures and salinity intrusion by shifting or supplementing rice monoculture with production of coconuts, sugar cane and shrimp farming.

Although farmers have made such adaptations to changing conditions, they often have insufficient knowledge to manage new crops with optimal crop nutrition and pest control.

- 19 The IFAD supported IMPP project in Tra Vinh and other projects have relevant experience from implementation in different agro-ecological conditions. This would be supplemented with adaptive research in new varieties of crops and developing sustainable cropping systems with intercropping of coconut and cacao, citrus, bananas and other crops including vegetable crop. Adaptive research should always be accompanied with a financial feasibility assessment to ensure that recommendations are financially viable. This adaptive research will generate experiences, which can be used to develop flexible recommendations for different farming systems. These can be adjusted according to availability of labour, irrigation water quantity and quality, market prices, and pest pressure.
- 20 Strengthening and consolidation of the shrimp farming sector. Shrimp farming in Tra Vinh and Ben Tre is a major economic activity in coastal districts. Much of this is a spontaneous adaptation to increasing salinization. This has led to the evolution of shrimp/ rice rotational culture, rice cum shrimp/ giant freshwater prawn culture and a number of similar variations of these practices. Shrimp farming constitutes a major economic activity in the project provinces, with annual production currently valued at USD 292.9 and 172.7 million respectively.
- 21 The great proportion of this activity is semi-intensive and or extensive (e.g., in Thanh Phu District of 16,000 ha only 1,000 ha is intensively farmed, the rest being semi-intensively or extensively farmed in rotation with rice), resulting in low yields of around 600 kg/ha.
- 22 However, these practises would respond to improvements through development and adoption of Better Management Practices (BMPs), that also incorporates new initiatives into the models. These BMPs would be identified and demonstrated through applied research, investigations and adaptation of relevant technology. BMPs need to be developed using science based risk assessments for each variant of shrimp/ rice farming systems and suitable models thus developed be disseminated effectively.
- 23 Another area in which shrimp farming could be improved is through provision of better seed stock. Currently, shrimp farmers largely depend on suppliers in other provinces for seed stock. This is accompanied by a lack of proper quality assurance procedures. The small scale hatcheries that are in operation in the provinces provide sub-standard products.
- 24 It is recommended that the existing small-scale hatcheries (estimated to be 98 in number) be upgraded through:
  - a) Training of about 10 selected operators in Thailand on improved hatchery operations;
  - b) Assisting the trained personnel to form the nucleus for an intra-district training cadre for other operators, and,
  - c) Upgrading an existing hatchery such as that of the Tra Vinh University to serves as a training center for back yard/ small scale shrimp hatchery operators on a continuous basis,
- 25 The project would also conduct a survey of the hatcheries currently in operation to provide an evaluation of their investment needs for physical upgrading and increasing the efficacy of their operations.
- 26 Clam farming is an important economic activity in Tra Vinh (Duyen Hai District), providing livelihoods for many hundreds of poor rural inhabitants. The farming system is an extensive operation with some scope for intervention and improvement. It needs to be supported to increase its efficiency and income generating capacity through:
  - a) Investigation of appropriate facilities for nursing the wild collected seed (which currently is done out of the province and re-imported for farming); each of the active clam farming cooperatives could be provided with such a facility; and,



- b) Survey the nature of the equipment used in the farming system, and provide recommendations on the improved and more efficient equipment as indicated in the survey.
- 27 Development of a business model for using catfish farming sludge as a fertiliser in dry agriculture. A major environmental criticism of catfish farming has been discharge of effluent during the pond preparation directly into the river and or its tributaries, increasing the nutrient load and sediments in the river. On average, every catfish farm discharges about 600-780 cm<sup>3</sup> per ha of sludge, which is often very nutrient rich. These amounts are discharged at intervals of every 7 to 8 months.
- 28 It has been demonstrated that the sludge (wet or dried) when used as a fertiliser in rice fields brings about an increase yield of 1 t/ha and reduces artificial fertiliser usage by 50 percent. The study also tested the effectiveness of three doses of solid wastes (1, 2, and 3 t/ha) in combination with with 1/3 or 2/3 of the recommended inorganic fertiliser input rates (60N-17P-24K in kg/ha), and it was found there were no significant difference in the yields for the different treatments.
- 29 It is proposed to pilot test this model using the sludge from the catfish farms to determine the business potential of catfish sludge being used as an alternative to inorganic fertiliser in rice farming. If successful, it would have the added advantage of eliminating an environmentally detrimental impacts of catfish farming on river well being. The location of catfish farms along the river and its branches permit the collection and transport of the sludge using barges to reduce the cost of transportation.
- 30 **At project start-up**, a research prospectus will be compiled through a DARD-led and Tra Vinh University (TVU) assisted gender and minority people sensitive farmer and scientific survey, to identify the core set of research topics that need to be addressed, both locally through Participatory Action Research (PAR) and along the salinity gradient (see para. 42) through an applied research program.
- 31 The project will support DARD to develop PAR processes based on joint (DARD-community) reflection, data collection and action that aims to improve productivity through involving the people who, in turn, take actions to improve their own condition. DARD, through PAR processes, will monitor, evaluate and promote appropriate endogenous adaptation responses being practiced by farmers and aquaculturists, and test and promote resilience building measures identified by communities.
- 32 In addition to endogenous adaptation responses being practiced by farmers, a number of Vietnamese institutions, including TVU, have been piloting adaptation and resilience building measures in the Mekong Delta. Several interventions have the potential for scaling up, but require further evaluation through adaptive research. In this regard, the project will work with TVU and DARD to undertake the following activities:
- (a) Building off the PAR process, endogenous and other adaptation responses will be compiled assessed for scaling up and further evaluated through adaptive research. The TVU, with regional research institute support, will collaborate with DARD to implement this activity.
  - (b) A number of climate resilient adaptation innovations and farming models (e.g. intercropping of coconut, cacao, citrus, bananas and other saline tolerant crops including vegetables) will be deployed along a salinity gradient for building a knowledge base on what livelihood activities are possible under specific salinity concentrations. The on-farm demonstration sites, to be developed with existing and new CIGs, will provide farmers with practical ideas on how to deal with this challenge together with a menu of alternative crop models and livelihoods to which they can shift as ground realities change.
  - (c) To inform the design of the above models a set of targeted studies will be undertaken to answer questions that require further understanding. Currently, considerable research is being undertaken on saline tolerant rice varieties in the Mekong Delta, but there is little research on other saline tolerant crops. In this regard, adaptive research on other saline tolerant crops that have good market value and are suitable for cultivation in the Mekong Delta will be undertaken. Similarly, adaptive research will be undertaken on techniques and approaches for improving crop irrigation and soil salinity management.



- (d) Extensive brackish water aquaculture is an important pro-poor technology requiring further adaptive research to raise productivity and reduce environment impact. The AMD will implement a set of interrelated activities for building the sustainability of brackish water aquaculture including: (i) participatory development of best management practices (BMPs) and their sub-sector wide deployment; (ii) enhancing the quality and production efficiency, and scaling-up of backyard shrimp seed hatcheries; (iii) the establishment of seed quality testing and certification facilities to reduce incidences of disease and (iv) research into the use of aquaculture pond sludge as an organic fertiliser, with a view to reducing its discharge into waterways and consequent water quality, nutrient load and sedimentation impacts.

- 33 TVU has already embarked on a substantial applied agriculture research programme that can be expanded, made more climate-smart and brought closer to beneficiary communities in its implementation. The university is also conducting aquaculture research, particularly on prawn/shrimp production. The project will support the development of TVU as an inter-provincial centre of research in CC adaptation, particularly in the agriculture and aquaculture subsectors. This will embrace fish breeding, including the use of molecular markers. The development of applied adaptation research capacity at TVU will be the subject of an independent study during 2014, leading to a project investment in staff capacity development, research infrastructure and equipment, recurrent applied research funding and technology promotion, commencing in 2015.

#### **Salinity monitoring and forecasting.**

- 34 DoNRE in Ben Tre and Tra Vinh and the Hydro-meteorological Department of the Ministry of Natural Resources and Environment (MoNRE) currently hand-collect salinity monitoring information for water management decision making at the provincial level. The DARD Irrigation and Drainage Companies (IDCs) for each province complement this data with data obtained by sluice operators and by farmers. There is no real-time salinity decision making information that water systems managers, farmers and aquaculturists can access. At the farm and fish pond levels, decisions are made primarily by tasting the water. This method is not accurate nor does it allow for decision making based on forecasting of salinity concentrations and movement along water courses. Furthermore, sluice gate management is undertaken on an ad hoc basis, regularly leading to inadvertent salinity intrusion. The Southern Institute for Water Resources Research (SIWRR) and Southern Institute for Water Resources Planning (SIWRP) in HCMC are tasked with studies and planning often related to CC. These agencies implement a number of donor-funded projects and use a mix of data obtained from provinces and self-acquired data. Can Tho University (CTU) is another key player with experience on a wide range of topics, from monitoring to adaptation pathways. None of these institutions have significant programmes in the AMD project area. There is a clear need for a more scientifically informed and managed salinity monitoring and forecasting system that will provide both real-time and forecast salinity data for decision support to farmers, aquaculturists and sluice gate managers, enabling real-time decisions on when to irrigate crops or refresh pond water and, over the longer-term, on investment decisions as areas begin to consistently exceed salinity thresholds.
- 35 This project proposes the development of a real-time salinity monitoring and forecasting system comprising a network of 60 automated salinity monitoring stations, a network of up to 2000 CIG farmer monitoring points, and a central platform for data storage, processing and dissemination. The single, multifunctional platform with extended dissemination capacities, will also incorporate data from the MRC information system for forecasting, especially geared towards information use by smallholder farmers. The multifunctional data platform will be established in partnership with other donors and government institutions, building off existing platforms. The system, which will be designed with priority for farmers in those areas where adaptation to increasing salinity is most urgent, will enable better adaptive water management, both by farmers and by engineers, allowing higher and more secure agricultural and aquaculture production. The system will warn farmers of inadvertent salinity intrusion, allowing for adaptation at field level and will enable a more objective assessment of

the consequences of longer-term salinity control measures on smallholder farmers, thereby raising their voice and providing a foundation for further action. The AMD will finance:

- a) Up to 30 new automated salinity monitoring stations respectively in Ben Tre and Tra Vinh, linked to a salinity multifunctional data platform using telemetry for data transfer.
- b) A multifunctional platform with extended dissemination capacities, to be developed with interested partners<sup>54</sup>. It would integrate real-time upstream river flow data from the MRC, allowing forecasting of salinity concentrations along the river system for as many days in advance as is technically feasible. This predictive capacity for movement of the saline gradients would improve both the management of sluice gates and the decisions made at farm level.
- c) Up to 2,000 farmer CIGs will be provided with simple technology to monitor water salinity at the farm level. This information will be sent by text message to a central data base that will both be integrated into the aforementioned multifunctional platform and report salinity levels to local farmers via text messaging.
- d) During project implementation a cost recovery modality to sustain the automated system monitoring system will be developed to ensure continuity upon project closing.

- 36 A pre-project study<sup>55</sup> should be financed to complete the design of the salinity monitoring system and plan the approach to developing the multifunctional data platform. ToR are detailed in Appendix 1 of the Salinity Monitoring Report in the Project Life File (PLF). The project will finance the purchase of equipment, software, consultant services, technical assistance, studies, small infrastructure works, training and workshops, as well as, initial operation and maintenance costs for the establishment and operation of the system over the first 4 years of project implementation, after which the system will self-fund through the sale of water quality and forecasting information.

### **Knowledge management and dissemination**

- 37 The effective management and dissemination of knowledge and information generated by Sub-component 1.1 will be necessary both for building adaptive capacity at community and institutional levels and to bridge between adaptation research, on the ground investments and the integration of CC concerns into planning and budgetary processes. To that end, the project will finance a program for systematically capturing learning and placing it at the disposal of all relevant end-users within the project provinces and beyond. Specifically, the project will finance:
- 38 The formation and operation of an inter-provincial Thematic Ad Hoc Group or “TAG” on CC adaptation to provide linkages between knowledge development and institutional end users (government, private sector, ODA, NGOs, CIGs, enterprises, etc.). The TAG will function as an advisory group for orienting and guiding the development of knowledge products and the strategies for their dissemination.
- 39 The organization of inter-provincial end-user/stakeholder groups for specific production models and high value research. The role of these groups will be to serve as a reference group to orient researchers and technical staff, as well as to contribute to the evaluation of the utility and practicality of the outputs and recommendations generated by the adaptive and participatory action research and field demonstrations.
- 40 To enhance the learning value from successful research and production/technology models and pilots, a communications company will be contracted to work with the DARDs and the development teams to capture and systematize the knowledge outputs in formats readily accessible to different audiences. This will include the development and publication of technical manuals and guidelines and popular learning series (e.g., popular publications, videos, radio programs, extension materials etc.).

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<sup>54</sup> The Appraisal Mission held discussions with Can Tho University and the World Bank on collaboration in the development of a multifunctional data platform.

<sup>55</sup> Estimated cost of USD 120,000.

- 41 The Training of Trainers (ToT), including CIG leaders, for the replication and scaling up of successful technologies and approaches for pro-poor, CC-adapted systems.
- 42 Different forms and formats for dissemination of results including farmer-to-farmer extension through trained CIG leaders, learning events (workshops, technical "fairs" & exhibitions, etc.), field visits and study tours for technical staff and decision-makers, and the costs for presentations of results at national and regional conferences and events.
- 43 For the above, the project will finance the purchase of technical assistance and communications company services, printing and publications, translations, training and workshops, and travel and operational expenses.

#### **Sub-component 1.2 – Climate-informed planning**

- 44 This DARD/DPI implemented Sub-component consists of two activities: (a) Community based adaptation and disaster risk management planning; and (b) Climate-informed socio-economic development planning and policy development.
- 45 In the last five years IFAD-supported projects have successfully developed, piloted and institutionalized new instruments, important to the rural poor, for "market-oriented socioeconomic development planning" and for the "climate proofing" of value chains. The AMD will build on IFAD's experience and deploy a systematic process for mainstreaming CC concerns into the planning and budgetary allocation processes. Such policy, institutional and process-related interventions will take several years to fully develop and effectively applied to ensure pro-poor, climate smart, public and private investments. Fortunately, while the scenarios of salinization, SLR, rainfall and temperature are looming, there is time to get the planning process right. Without very significant advances in policy, institutional frameworks and processes in the near future, however, the consequences are likely to be quite negative. The key investment activities of AMD under Sub-component 1.2 are described below.

#### **Community based adaptation and disaster risk management planning**

- 46 This sub-component will build community and institutional capacity to undertake gender-sensitive, community-based adaptation (CBA) and disaster risk mitigation (CBDRM) planning. The CBA programme will be built on a strong local evidence base, supported through Participatory Action Research (PAR). In project communes, CC Participatory Scenario Development (PSD), vulnerability assessments and land-use planning using geospatial data systems will be undertaken for developing the commune and district level plans, as well as for raising awareness of anticipated CC impacts among local communities. The approach will focus on strengthening adaptive capacity at the household and individual level by building resilience of livelihoods and reducing disaster risks, particularly for the most vulnerable groups. Drawing extensively on the experience of government and NGO-led programs in some Ben Tre, Tra Vinh communes, and in surrounding provinces, the project will support the development of tools, guidelines and frameworks for integrating CC adaptation/mitigation elements into the SEDP planning process at commune and district levels for province-wide use, particularly in preparation for the 2021 – 2025 SEDP planning process.
- 47 The CBA process will, through a village-based program of climate vulnerability and capacity analysis, gender and power evaluation and PSD, develop an understanding of long term aspirations, vulnerable groups, vulnerability to CC, economic opportunities, local institutions, power dynamics, and gender tensions, relations and norms. Villages will then formulate village level, community-based adaptation plans that will feed into SEDP and investment planning processes. The knowledge, capacity and networks generated by the CBA will help the AMD to identify the most efficient and effective ways to enable adaptation by the most vulnerable people. The AMD will use these practical experiences to inform investment at the household and enterprise level and policy recommendations on adaptation funding mechanisms at provincial and national levels.
- 48 The CBDRM programme, which will be underpinned by the national, MARD-led CBDRM program, will provide for the participatory development of a local vision (mapping) of the potential for development

and use of natural resources, including associated constraints i.e. vulnerability and risks. Following the Hyogo Framework for Action, the AMD will, using gender and diversity sensitive approaches, integrate disaster risk reduction into SEDP planning at commune, district and provincial levels, develop and strengthen institutions, mechanisms and capacities to build resilience to hazards and systematically incorporate risk reduction approaches into the implementation of emergency preparedness, response and recovery programmes. Community-based infrastructure investments will contribute to strengthening disaster preparedness and reducing the underlying risk factors.

- 49 The AMD will: (i) establish CBDRM working groups in participating communities; (ii) develop participatory community-level hazard and vulnerability maps; (iii) prepare annual community-level plans on disaster prevention, response and management, including CC concerns; (iv) support the annual update of hazard and vulnerability maps; (v) enable community monitoring of DRM activity implementation; and (vi) co-finance small-scale works for disaster prevention, response and management in the community. The Project will also provide capacity building for local government staff at all levels on managing and implementing CBDRM activities, comprising among others, training courses on CBDRM policy, mechanisms and implementation guidance for trainers, agencies, and local staff; training of CBDRM trainers and; capacity building programs on CBDRM for local authorities. The integration of CBA and CBDRM into commune, district and provincial planning processes is described below.

#### **Climate-informed socio-economic development planning and policy development.**

- 50 There is clarity at provincial and district-levels and by the line agencies (DPI, DARD, DoNRE) that the principal tools available for public sector response to CC is the integration of CC risk and vulnerability concerns within: (i) the 2016-2020 and 2021-2025 SEDPs, through the sectoral and sub-sectoral master planning processes at province and district-levels; and (ii) through the annual SEDP planning cycle for the identification and prioritization of investments at the commune and district-levels, based upon participatory and decentralized processes. There is, however, limited knowledge on how this may be done in practice. The AMD project will thus undertake the following activities:

#### Integration of climate change concerns into the Provincial SEDP 2016-2020 and 2021-2025

- a) Support DONRE, DARD and DPI to integrate CC concerns into the next two Five-year Socioeconomic Development Plans for the project provinces. The impact of this activity will transcend the project to the level of the two provinces and, to a degree, nationally as the provincial proposals must be agreed at the national-level and ultimately approved by the National Assembly. The window of opportunity to contribute to the SEDP 2016-2020, however, is fairly narrow. If the project is to support integration of climate risk and vulnerability concerns in master plans in time for inclusion in the 2016-2020 plan it will need to: (i) initiate some activities through pre-project financing; (ii) focus on a limited number of subsectors; and (iii) substantially complete supporting processes and studies before 30 June 2015. The 6-year project duration will allow a substantive project contribution to the SEDP 2021-2025.
- b) Assist DoNRE to strengthen the Provincial Climate Change Action Plans for 2016-2020 and prepare a comprehensive plan for the period 2021-2025. Support will be provided to: (i) evaluate implementation of the 2011-2015 Action Plan; (ii) consult with key stakeholders (government, line agencies, ODA, NGO, private sector, people's organizations, etc.) and enable their participation in the development of the strategy, priorities and needs for the next period; (iii) carry out supporting studies; and (iv) to broadly disseminate and enhance awareness of the Action Plans, their content and implications. For the latter, the project will support the development and publication of the Plan, brochures for popular audiences, newspaper articles and radio programs, and a series of dissemination workshops at the Provincial and District-levels.
- c) Support to DARD to: (i) update master plans for four priority subsectors in each Province (e.g., rice, aquaculture, livestock, and irrigation) in order to incorporate CC concerns and

impacts; and (ii) strengthen the Provincial Agricultural Sector Climate Change Action Plan for 2016-2020 and prepare a comprehensive plan for the period 2021-2025. Support will be provided to DARD for undertaking an advocacy campaign and consultative process similar to that for the Provincial Climate Change Action Plans for 2016-2020 and 2021-2025 above.

- d) Assist DPI to integrate the DoNRE and DARD CC priorities articulated through their Action Plans and sub-sectoral master plans into 2016-2020 and 2021-2025 SEDPs. Training of DPI planning staff on CC issues, policies and programs will be the main focus. To that end, the project will finance training courses, workshops, and domestic study tours for DPI's senior-level and planning staff. In addition, resources will be made available for any priority studies or coordination/consultation workshops required by DPI in order to effectively incorporate CC concerns in the Provinces' next two five year SEDPs.
- e) The project will finance technical assistance and services, consultant services and studies, printing and publications, translations, training and workshops, and travel and operational expenses.

#### Integration of climate change into medium and longer-term provincial planning processes –

- 51 In the medium to long-term, the major opportunity for achieving effective and durable pro-poor responses to CC lie in synergistically combining concerns for disaster risk management and adaptation to CC through local planning instruments and processes, i.e., the annual SEDP process. As such, the AMD project, building on regional and national approaches, will support the development, testing, validation and replication of guidelines and tools to ensure that local land use, infrastructure and economic planning processes for the SEDP are climate-sensitive. This process will be initially piloted in the 60 project communes and 15 districts, but extended to all 205 communes in the two provinces by 2019.
- 52 The learning and approach of the MoSEDP will be used for integrating CC concerns into the SEDP planning process. The climate-proofing tool for value chains developed under IFAD's IMPP project and the national Community-based Disaster Risk Management (CBDRM) approach are the relevant tools for use in AMD. The AMD will support the further refinement, testing, and deployment of both tools in collaboration with OXFAM and CARE international, as they have significant provincial and national experience with their Participatory Vulnerability Capacity Analysis (PVCA) approach and the Community-Based Adaptation toolkit respectively.
- 53 The framework for integrating climate risk and vulnerability concerns from the commune to the provincial level will have the following elements:
  - a) Communes participatory community vulnerability mapping and scenario development (natural disaster, salinization, CC impacts); application of mapping in production and investment (SEDP) planning, NTP-NRD planning; linkage of village level planning and BMPs with commune-level vulnerability mapping-based zoning and SEDP planning and prioritization.
  - b) District aggregation of commune-level vulnerability zoning into a district-level zoning tool for SEDP (including for the NTP-NRD and NTP-RCC) planning & prioritization.
  - c) Province aggregation of district level SEDP planning and prioritization into formats useful at provincial-level for policy, setting of priorities, and development of response strategies.
  - d) In those communes where the NTP-NRD and the project overlap, a single commune and district planning process will be used to avoid duplication and conflict and ensure complementarity of investment.
- 54 Based on the above framework the AMD project will support the following activities:
  - a) Climate-smart SEDP planning, including: (i) formation of a "Climate Change Integration" TAG, under the direction of DPI, to provide for technical advice, inter-agency coordination



and progress evaluation; (ii) a review of existing methodologies and experiences with commune-level CC planning; (iii) a series of technical/consultation workshops with relevant stakeholders at commune and district-levels; (iv) district-level diagnostics of ongoing adaptation, down-scaling of provincial-level, medium-term CC impact scenarios, and identification of vulnerable areas, production systems, and populations; (v) the development of a first generation methodology for commune-level SEDP planning; (vi) testing and evaluation of the methodology; (vii) development of a district-level zoning methodology, based on the commune CC and vulnerability risk planning; (viii) piloting and updating of the commune-level, CBDRM-based methodology; (ix) support for the participation of MARD's Disaster Management Center throughout the process to ensure incorporation of national-level learning into project actions and vice-versa; (x) development of a provincial-level methodology for integration into sectoral SEDPs of commune and district vulnerability mapping and zoning and (xi) key stakeholder workshops for review and evaluation of progress.

- b) Dissemination of outcomes and results, including: (i) the systematization of the process, procedures, required inputs and results; (ii) the development of training materials and methodological guides for replication; (iii) the training of trainers on the CBDRM-based methodology for commune-level SEDP planning, the value chain climate proofing tool and the district-level zoning and provincial-level integration approaches and methodologies; (iv) implementation of an awareness and dissemination strategy, including publications, brochures, newspaper, radio programs, etc.; (v) cross-visits for district and commune staff to learn from the pilot areas; (vi) field visits and study tours for DPI planning staff; (vii) support for presentations on the experiences with integration of CC issues into SEDP planning at national conferences and events; and (viii) the publication of all results and documentation through the internet and web-based publications and journals.
- c) Roll out and scaling up of commune and village-level participatory SEDP planning with CC integration, including: (i) promotional campaigns and awareness raising for local officials and groups (e.g., Women's, Farmer's & Youth Unions, CIGs, SMEs); (ii) training of commune and village staff and facilitators; (iii) training of District staff; (iv) application of the village/commune participatory vulnerability mapping and scenario development for climate proofing of local public and private investments; and (v) application of the value chain climate proofing tool.

#### Policy dialogue at provincial and national levels -

- 55 Current strategies and planned responses to CC risk and threats in the agricultural and rural development sector are primarily focused on hard, infrastructure investments to protect against flooding and saline intrusion in the coastal zones and deltas. On the policy and planning side efforts are focused on further assessments of potential CC impacts on ARD subsectors; integration of CC concerns into sector/subsector/local action plans and planning processes; and the development of programs and projects for mitigation, adaptation and sector development. There is, however, little explicit content or focus on vulnerable populations, facilitation of endogenous/autonomous adaptation by farmers and households and communities, on the need for hard adaptation measures that may be taken by individuals to protect their assets, or on soft interventions to support the building of local capacity for adaptation and to enhance the resilience of vulnerable communities to climate risk.
- 56 The AMD project will therefore focus its attention on providing support in order to widen and deepen government's approach to social vulnerability in CC policy, planning and investment. While the provinces depend in the first instance for policy support and guidance on the national-level, from the national-level there is also an imperative of decentralization of policy implementation and of accompanying the provinces in order to better understand the challenges, learn from provincial experiences, and adapt national policies and programs to meet operational needs on the ground.
- 57 The AMD project will provide support to provincial authorities for the following activities:

- a) Analysis and studies for: (i) policy dialogue with national-level decision-makers (e.g., cost/benefit of rice land allocation and/or other existing policies' impacts on potential for development of sustainable livelihoods in zones impacted by SLR and salinization); and (ii) orientation of provincial priorities for CC adaptation, especially "pro-poor" opportunities (e.g., policy barriers to autonomous adaptation for rural poor; cost/benefit case studies of pro-poor CC adaptation).
- b) Policy dialogue activities at provincial and national level, including support to the development and implementation of coordination mechanisms for the provincial adaptation agenda, such as: (i) an information clearinghouse for CC-related information and activities in the ARD sector; (ii) the development of cross-sectoral agendas for capacity building; (iii) knowledge management in the form of identification, documentation and dissemination of good practices and lessons learned); technical forums for advising policy-makers on priority issues; and (iv) high-level forums for key national, regional, provincial, ODA and FDI actors for policy discussions and coordination/leveraging of investment resources.
- c) At the provincial level, through the Climate Change Coordination Office (CCCO), the project will: (i) strengthen of the CCCOs (technical secretariats for the Provincial Climate Change Steering Committee (PCCSC)) in Ben Tre where one already exists and the establishment of a similar office in Tra Vinh; (ii) support the formation of a "Climate Change Policy" TAG, under the direction of the PCCSC, to provide for technical advice, inter-agency coordination and progress evaluation; (iii) finance policy-relevant analysis and studies identified by the PCCSC; (iv) strengthen information and communications through publication of policy advisory briefs (occasional), newsletters (quarterly), and publications on CC adaptation experience and learning; (v) finance high level forums for CC policy dialogue and coordination, including an Annual Inter-Provincial Forum and an Annual Provincial Climate Change Steering Committee Stakeholder Forum; (vi) finance technical forums, meetings and consultations for advising policy-makers on priority issues; and (vii) provide training for policy-makers, including domestic study tours and field trips.
- d) The CCCOs in both provinces will be supported through: (i) the design of a stakeholder management and coordination strategy; (ii) the design and setup of an information clearinghouse database for climate change-related information (e.g., a web-based database with information on relevant policies, directives, guidelines and action plans; relevant adaptation and mitigation projects, programs and investments; and a library of studies and analyses, etc.); (iii) IT equipment and software for the clearinghouse database; (iv) funds for the translation of key documents (especially policies and directives) for inclusion in the database; (v) an IT specialist/trainer and Communications/Networking specialist/trainer (for 2-3 years); (vi) minor equipment for dissemination purposes (e.g., digital video camera and audio recorder, digital camera); and (vii) operational expenses for transportation and per diems.

## **COMPONENT 2: INVESTING IN RESILIENT LIVELIHOODS**

- 58** The objective of Component 2 of AMD is to increase the level of sustainable investments in Climate Change adaptation in Ben Tre Province. It consists of two sub-components: (a) Rural Finance for Improved Livelihoods and (b) Investing in Climate Change Adaptation. Below, each of the sub-components is described concerning its rationale, objectives, key strategies, investment activities, implementation arrangements, benefits and impact, exit strategy and risks, as well as follow-up actions needed to start the component operations in an effective manner.

### **Sub-component 2.1: Rural Finance for Improved Livelihoods**

## Rationale

- 59 Reflecting the overall development trends in Viet Nam, the financial sector has gone through a period of major transformation during the past 20 years. The fast expansion in banking activities and in the volumes of their financing operations is considered one of the key factors behind the fast economic growth in Viet Nam. While in the past few years the financial sector has been affected by the overall slowdown of the Vietnamese economy, it is expected that the sector will return to its earlier rapid growth path during the implementation period of the planned AMD.
- 60 Despite the overall financial sector progress, however, the commercial banks still tend to prefer lending to large and known borrowers at the expense of low-income rural clients and small and medium enterprises (SMEs). The poorer communes, especially those with large ethnic minority populations, are particularly weakly served. In this situation, as private market-based rural microfinance institutions operate only on a very limited scale in Viet Nam, continuous attention and support are clearly required to improve financial services delivery in rural areas, to increase financial inclusion and to improve the livelihoods of the poor in the least served rural communes.
- 61 Since the beginning of IFAD's operations in Viet Nam, interventions in rural finance have been an integral part of the supported area-based multi-component projects, including the projects implemented in Ben Tre and Tra Vinh provinces. The key lessons for the AMD design from the evaluations of these and other rural finance projects include:
- a) The promotion of community-based savings and credit groups (SCGs) remains a valid intervention for AMD as they serve as a useful entry point for low-income people to financial services and act as an effective empowerment tool. In previous interventions, they have consistently shown their capacity to increase the incomes of poor households.
  - b) To move the SCGs and their members to the next development stage, the issue of developing SCGs and their networks into more sustainable microfinance schemes requires attention and investment, with major opportunities for innovative piloting under AMD.
  - c) Agricultural value chain finance should be seen as a comprehensive, holistic approach that involves the systemic analysis of an entire value chain and the relationships among its actors, including all the financial institutions with potential interest in the focal value chains.
  - d) IFAD-funded credit lines can be justifiable only if the potential partner banks in the project area are both prudential and ready to invest in smallholder-related projects, but lack liquidity for medium- and long-term lending.
  - e) Using matching grants as an interim instrument to cofinance productive projects is acceptable where they can play a catalytic role for important rural investment activities, particularly when operating with disadvantaged minorities or when stimulating investment activity in areas adversely affected by climate change.
- 62 To effectively contribute to increased financial inclusion in the rural communes of the AMD target area, the design of the **Rural Finance for Improved Livelihoods** sub-component of AMD relies strongly on these lessons learnt from past experiences, the expected trends and regulatory reforms in the financial markets, and the best practices developed for rural microfinance and value chain financing. The selected approach and interventions are clearly in line with the current policies of the Government, which emphasise the need to modernise smallholder agriculture, to improve the quantity and quality of marketed produce and particularly to improve the resilience of poor households that face the adverse impacts of climate change. One of the key strategies to reach these targets is the increased inclusion of poor and near poor households into the financial market on a sustainable basis.
- 63 The sub-component design also reflects IFAD's current priorities in rural development in Viet Nam. According to the COSOP for 2012-2017, the rural finance activities should support the overall objective of building enabling environments for the engagement of the private sector in providing rural jobs and generating rural income and for the development and promotion of pro-poor value chains.



They should aim to increase the agricultural productivity and competitiveness of smallholders and enhance opportunities for market entry and diversify livelihood opportunities for both male and female workers, including off-farm activities. These principles have been important when selecting the activities for rural finance support under AMD. At the same time the selected approaches and activities are a core part of AMD's "no-regret" approach to climate change adaptation, with its focus on improving the income and asset base of smallholders, in that manner building adaptive capacity in rural households to deal with the existing and predicted effects of the climate change.

### **Objectives, Strategies and Activities**

- 64** To contribute to the achievement of the overall goal of AMD, the objective of the Rural Finance for Improved Livelihoods sub-component is to "to increase financial inclusion and incomes of rural low-income people and increase their capacity to adapt to existing and predicted effects of the climate change".
- 65** To achieve this objective, the following key strategies and approaches are to be followed when implementing the Rural Finance for Improved Livelihoods sub-component:
- a) Actively expand the community-based women's savings and credit networks into new, poorer communes, with special focus on women-headed households and minority communities
  - b) Develop across the SCG operations the activities of savings and credit groups towards more savings focus and internal sustainability, to reduce future dependence on externally injected capital.
  - c) Pilot the transformation of networks of savings and credit groups into registered, sustainable microfinance institutions (MFIs), with links to the formal finance market
  - d) Leverage in a pro-active manner funding from the whole finance sector for agricultural investments in general and AMD's climate change adaptation and value chain operations in particular.
- 66** Sub-component 2.1 is organised in three partly inter-related activities:
- 2.1.1: Establishment of New Savings and Credit Groups
  - 2.1.2: Transformation of Credit Networks into Microfinance Institutions
  - 2.1.3: Leveraging Capital for Adaptation and Value Chain Investment Activities.

### **Sub-component Investment Activities**

#### 2.1.1: Establishment of New Savings and Credit Groups

- 67** Under the previous phase of IFAD funding, the projects in both Ben Tre and Tra Vinh have supported the establishment of new women's SCGs. These have been popular activities, and the impact evaluations have confirmed their positive influence on households and their incomes. In addition, the SCGs have served as a forum for the members to discuss new on-farm or off-farm income generating options for diversification and adaptation to climate change impacts. Furthermore, according to various evaluations, SCGs have acted as a key women's empowerment instrument for the IFAD-supported projects in Viet Nam.
- 68** To contribute to increased financial inclusion, support to the establishment of new women's SCGs will continue under AMD. Instead of the relatively general focus of the previous support phase, the targeting approach of the AMD operations will rely on the following principles:
- a) Focus on poorer communes in both provinces
  - b) Special emphasis on inclusion of women-headed households in the groups
  - c) Focus on minority population particularly in Tra Vinh province.
- 69** Following the above targeting approach during the 6-year project period, the following implementation targets have been set:

- a) In Ben Tre, 580 new SCGs with an average of 10 members established in the 30 AMD communes
- b) In Tra Vinh, 560 SCGs with an average of 20 members established in the 30 AMD communes.

**70** While slightly different implementation methodologies in the establishment of the new SCGs are used in the two provinces (see more below), AMD will provide a comprehensive support package to ensure a smooth implementation process in both areas. The AMD support under Sub-component 2.1 will consist of the following investments (see Costs Tables for detailed budgets for each activity and province supported under Component 2):

- a) Funding and material for mobilisation and initial training meetings in the villages
- b) Capacity building for the implementing Women's Union (WU) Social Fund staff in the districts and communes
- c) Substantial training for SCG cluster/group leaders and members in the savings and credit method and in tested climate change-resilient alternative farming and livelihood models
- d) Provisions of equipment (computer, printer, office equipment etc.) for the district/commune-level implementers
- e) Injection of capital for each trained SCG for on-lending to the group members.

**71** Basically similar support packages have been used earlier under different IFAD-funded activities in the AMD provinces and elsewhere in Viet Nam to successfully establish women's SCGs. Globally, the injection of project capital for on-lending to group members is not generally considered an appropriate or necessary intervention when aiming to create sustainable community-based groups. In the previous lowland operations in Viet Nam in general and AMD provinces in particular, capital for on-lending has, however, always been a part of the IFAD investment and has been consistently evaluated as a successful intervention. It would be politically difficult to change the approach now when moving to poorer communes, with increased focus on minorities and women-headed households. More importantly, in SCGs in Viet Nam, the credit discipline is, at nearly 100%, exceptionally good and even with external capital injections, nearly all the groups from earlier IFAD-supported projects have proved to be sustainable and continue their operations even after the closure of IFAD project support. Increased attention will nevertheless be paid under both Sub-components 2.1 and 2.2 to the active promotion of savings in the groups and to the related target of increasing self-financing of loans within each group, with less dependence of externally injected capital. This work becomes even more important when the SCG networks in Ben Tre and Tra Vinh will be transformed into registered and supervised MFIs during the AMD period.

**72** At the AMD start-up in both provinces, the rules and conditions for cooperation between AMD and the Women's Unions under Activities 2.1.1 and 2.1.2 will be documented in a detailed Memorandum of Understanding (MoU), to be signed by the Provincial People's Committee and the Women's Union. These MoUs would cover both the capacity building operations under these AMD-supported activities and the transfers of capital to the WU Social Funds for on-lending under Activities 2.1.1 and 2.1.2.

#### 2.1.2: Transformation of Credit Networks into Microfinance Institutions

**73** This sub-component supports innovative pilot activities aiming at developing women's SCGs and their networks into registered, sustainable microfinance schemes. The target would be to bring the thousands of women's savings and credit groups under an institutional arrangement that would ensure an appropriate supervision of these small financial institutions and create a sound and safe network for their institutional growth. At the same time the transformation would open opportunities for linking mature groups and their members with financial institutions that have potential for financial intermediation with groups and their members on a much larger scale.

**74** In both provinces, the Provincial Peoples Committee has recently approved the establishment of a Social Fund within the provincial Women's Union. The Social Fund would function as an apex financial institution for the WU's network of savings and credit groups in each province. In both

provinces, the Social Fund operations are still at a planning stage and the actual financing operations still remain to be started.

- 75 AMD would provide substantial support to develop the operations of the two Social Funds and to eventually transform them into professionally managed microfinance institutions. By the end of the AMD support period, these organisations should be able to act as independent, sustainable and province-wide MFIs. Critically important is that the AMD-supported MFIs should be able to qualify for the “wider” MFI license. This type of license would enable the MFI to collect voluntary savings from the groups and their members. The minimum capital requirement for this (VND 5 billion, or around USD 250,000) is unlikely to be problem. The key requirement is that the MFIs would reach such an institutional and operational status that would guarantee the safety of the collected savings. With active collection of voluntary savings, the MFIs could engage themselves in financing operations of much larger-scale and play a real catalytic role in the development of household enterprises and the whole rural economy in Ben Tre and Tra Vinh, without dependence of externally injected capital.
- 76 Vietnamese regulations require that the networks of this type must be initially registered as Social Funds to be supervised by the provincial State Bank of Viet Nam (SBV). Later, when adequate capabilities have been developed and operational sustainability has been reached, these Social Funds could be converted into MFIs, to be registered and fully supervised by the SBV. The procedure is still new in the country. Both the Agence Française de Développement (AFD) and the Asian Development Bank (AsDB) are currently providing technical support to the SBV to develop the remaining detailed regulations to the new Credit Institutions Law. Further, IFAD is currently financing international technical support for this transformation process, initially targeting Ha Tinh and Quang Binh provinces. The result of this IFAD support input will directly benefit the planning and implementation of the transformation processes in Ben Tre and Tra Vinh.
- 77 When the WU Social Funds become operational, the objective is to transfer to the new Social Funds all the on-lending funds that were issued to the women’s SCG networks from earlier IFAD-supported projects. This includes the around USD 1 million equivalent that was transferred to Vietnam Bank of Social Policies in Tra Vinh when IMPP closed its operations. These funds will serve as useful seed capital for the lending operations of the Social Funds and generate substantial operational income to them. Furthermore, it is expected that if the new Social Funds do not reach full operational sustainability during their first years of operations, the Provincial People’s Committees would support them with funding to cover their early operational deficits.
- 78 In both provinces, AMD would finance a comprehensive support package to enable (i) the effective start-up of the WU Social Funds and (ii) their eventual institutional transformation into registered MFIs. The key investments of AMD in this process include:
  - a) International and national TA to support the development of appropriate business plans for the Social Funds
  - b) Substantial international TA for capacity building of the staff of the Social Funds
  - c) A regional study tour for key WU Social Fund staff
  - d) Appropriate loan management software and related hardware
  - e) National TA for the development of required manuals and training materials
  - f) Training of trainers (TOT) capacity building for district and commune-level WU Social Fund staff
  - g) Training of cluster and group leaders and members in new operational methods
  - h) Seed investment capital for on-lending for both Social Funds (USD 1 million each), subject to passing an institutional due diligence by an AMD-funded international consultant.

### 2.1.3: Leveraging Capital for Adaptation and Value Chain Investment

- 79 To have a substantial impact on rural economy and poverty alleviation, the climate change adaptation and rural value chain operations would require significant amount of investment capital. There are

various potential sources of capital available for investments in the value chains that are likely to be supported by AMD. The commercial banks in the two provinces are liquid and report that they have adequate own funding also for medium and long-term investments. The total combined portfolio of IFAD's traditional partner in the two provinces, the Viet Nam Bank for Agriculture and Rural Development (VBARD), exceeds USD 450 million. IFAD's old credit line funds still partly revolve in these provinces. Vietnam Bank of Social Policies (VBSP) operates a combined pro-poor portfolio of USD 150 million in the two provinces. Importantly, most of the local commercial bank branches, including VBARD, are partners in the large national credit line operations of the World Bank (WB), which currently total around USD 500 million for rural loans and are expected to substantially increase in 2013. This WB credit line also has a USD 40 million microfinance facility, used by 10 commercial banks and nine Peoples Credit Funds (PCFs). Further, the AFD has a credit line of EUR 30 million for PCFs, likely to be increased to EUR 60 million in 2013. Finally, national Government interest subsidy schemes have been operational in Viet Nam, often reducing interest rates on agro-loans by as much as 50% of commercial rates. In addition, various provinces, including Ben Tre, currently have their own agricultural interest rate subsidy schemes, which further reduce the actual interest paid by the borrowing company or individual. Most local banks and all PCFs in Ben Tre and Tra Vinh have access to these credit and subsidy facilities to support their agro-lending.

- 80 In this situation, one key objective of AMD and its management would be to work in a pro-active manner to attract financing from various types of financial institutions to the adaptation and value chain operations to be supported by AMD. The project senior staff should actively work to increase the financial institutions' knowledge of rural investment opportunities. This does not include only cooperation with the large state-owned banks, but, increasingly, also active cooperation and knowledge sharing with private commercial banks and non-bank financial institutions such as PCFs. Through regular meetings and field and company visits, the project can introduce the financial institutions to rural investment opportunities, whether they are related to primary production, marketing or processing. Experience from elsewhere clearly shows that when the banks' level of information of rural activities increases, so do their actual investments in rural projects. The introduction of new technologies by AMD to farmers, connecting them actively to markets, and improving their farm/business management skills should reduce the investment risks of the financial institutions and increase their willingness to commit funds to the rural sector.
- 81 This advocacy and knowledge sharing is a continuous process and an integral part of the project management work. One specific investment in this area, however, is included in the AMD budget:
- a) Support to organising Provincial Agro-Finance Workshops in Ben Tre and Tra Vinh, to bring key local and regional financiers, agro-enterprises, donors, and producers' representatives together and to share information on various types of financing options for value chain participants in the province. These workshops would be organised in alternate years (Ben Tre in PY1, PY3 and PY 5; Tra Vinh in PY2, PY4 and PY 6).

### **Implementation Arrangements**

- 82 To ensure that all activities under Sub-component 2.1 are properly planned and executed, the PCU of AMD will recruit a senior Rural Finance Specialist (RFS) to oversee and manage this component during the six-year project period. The RFS would be assisted in the PCU by a Rural Finance Officer. The TOR for both of these positions are provided in the AMD PIM. In addition to these long-term positions, short-term technical assistance would be provided to ensure the effective management and supervision of this component.
- 83 The Implementation arrangements of the whole Component 2 are to be documented in detail before the project start-up in the AMD Project Implementation Manual (PIM). Below, the key implementation arrangements agreed on for Sub-component 2.1 activities are briefly described.
- 2.1.1: Establishment of New Savings and Credit Groups
- 84 In both provinces, the implementation responsibility in the establishment of the new savings and credit groups will be with the WU Social Fund. While the Social Fund is a new institution, the provincial WUs

in the AMD provinces have long experience in the establishment of women's SCGs, with required manuals on how to do this. At the start-up of AMD, both the new project and IFAD directly will provide substantial technical support and capacity building inputs to integrate the activities related to the establishment of the new SCGs into the organisational structures of the new WU Social Funds. The current WU manuals will be further developed at the start-up of AMD with the support of AMD-financed experts. A particular focus area will be to increase savings-orientation in the groups, which requires urgent attention to increase self-financing and consequently financial independence of the SCGs.

- 85** In field implementation, the WU Social Fund in Ben Tre will use the clustering approach when operating with the groups and their members, and the Social Fund district offices as centres of mobilisation, training and the actual savings and credit activities. In Tra Vinh, the field implementation responsibility will be with the district and commune-level staff of the WU Social Fund, which will operate directly with the groups without clustering them. In both provinces at the AMD start-up, the relevant Social Fund staff will be trained with AMD support, and the field offices of the Social Funds will be provided with relevant equipment required for the professional implementation of the activity. The commune/district offices of the Social Funds will report progress to the province-level head offices of the Social Funds, which report to the PCU.

#### 2.1.2: Transformation of Credit Networks into Microfinance Institutions

- 86** The main responsibility for the implementation of the support activities to develop WU Social Funds into more independent and eventually sustainable microfinance institutions will be with the senior management of these institutions. During the early stages of implementation they will require substantial support from both the PCU and, especially, from external experts. As indicated above, IFAD is currently financing international technical support for this transformation process, initially targeting Ha Tinh and Quang Binh provinces. The results and practical operational recommendations of this IFAD support input will directly benefit the planning and implementation of the transformation processes in Ben Tre and Tra Vinh.
- 87** A key activity to guide the implementation of the AMD support operations is the development of appropriate strategic plans for these two institutions. These plans will include a detailed activity plan and schedule for the operations during the AMD period, including detailed achievement targets for both the activities and financial indicators. This development of the strategic plans will be supported with strong inputs by international and national TA, particularly as the establishment of sustainable MFIs is a relatively new concept for Viet Nam.
- 88** With capacity building and investments in systems by AMD, the implementation responsibility should be progressively transferred to the elected and salaried management of the Social Funds. The PCU of AMD should carefully, and on a continuous basis, monitor the progress of transformation in the Social Funds against clearly defined outcome/output indicators. In the event the process falls behind the schedule agreed on in the strategic plans, AMD/IFAD should provide additional expertise to put the process on the right track so that the achievement of the operational and financial sustainability targets to be set for the whole AMD period is not jeopardised.

#### 2.1.3: Leveraging Capital for Adaptation and Value Chain Investment

- 89** As indicated above, one key objective of AMD and its management would be to work in a pro-active manner to attract financing from various types of financial institutions to the value chains and adaptation models that emerge with project support. This advocacy and knowledge sharing is a continuous process and an integral part of the TOR of key persons in AMD management.
- 90** The organising of the bi-annual Provincial Agro-financing Workshops in each province is the responsibility of the PPCs, the Project Directors of AMD and the two rural finance specialists/officers in the PCUs. In this task they should actively cooperate with local and regional financial institutions and agri-business companies to create and implement an interesting workshop programme.



Importantly, they should cooperate with IFAD (Ha Noi) to secure the participation of institutions such as the World Bank and AFD, as well as the Head Offices of VBARD, VBSP and the new cooperative bank to be organised around the Central Credit Fund. IFAD (Ha Noi) can also assist in strengthening the workshop programme by creating contacts to include in the workshop programmes international presentations on innovative schemes such equity funds that are likely to emerge on a wider scale in the agro-market of Viet Nam.

### Benefits and Impact

- 91 Significant benefits to the group members can be expected from participation in the new women's SCGs. The number of the directly benefiting households is expected to be around 16,000-17,000, covering a significant share of the poor and near-poor households in the focal AMD communes. All impact evaluations, including the recent ones conducted by IFAD, confirm the beneficial impact that these group operations have on the incomes and livelihoods of the members' households. Similarly, while the loans issued by the groups are small, the farm models of this design document indicate that their potential to improve the incomes and the adaption capacity of the beneficiaries is significant. In addition, while more difficult to measure, the impact of these groups on the self-confidence of the group members can be substantial, which in the longer term can support the members' participation in larger scale income generating activities.
- 92 The AMD activities to transform SCGs and their networks into registered, sustainable microfinance institutions are expected to result in major long-term benefits to their members/clients. The registered status can open doors for larger scale financing operations, enabling current and future members of the SCGs to become engaged in larger income generating projects than is currently possible. Linkages to formal sector operators through the new MFIs can secure such funding that the current mode of SCG operations does not allow.
- 93 Leveraging funding for agricultural value chains can have a major impact on agricultural investments and incomes in the two provinces if these activities are conducted successfully and in a pro-active manner. With the liquid banking sector and large donor-financed credit lines available for well informed applicants, the potential for raising substantial financial resources for agro-investments through these operations is obvious.

### Exit Strategy and Scaling Up

- 94 Most of the Sub-component 2.1 activities have an in-built exit strategy. New SCGs are expected to operate independently after the training provided by scheme implementers. At the same time, the pilot efforts to transform the networks of SCGs into registered MFIs are a part of the exit strategy, which links these groups and their members to the operations of the regulated and supervised financial market. These pilot processes, if successful, can be replicated and up-scaled in other provinces, which is an important justification for these investments under AMD.
- 95 The proposed AMD approach of leveraging funding for agricultural value chains from all types of financial institutions and support mechanisms is a new way of working for IFAD-supported projects in Viet Nam, and a clear deviation from the earlier model using small project credit lines. If successful in attracting new finances to value chains in Ben Tre and Tra Vinh, its replication can be considered also in other provinces and environments in Viet Nam.

### Risks and Issues

- 96 Two specific risks to the successful implementation of Sub-component 2.1 are listed below in Table 1, with comments of mitigating issues and mechanisms:

**Table 1: Sub-Component 2.1: Potential Risks and Mitigating Issues**

Potential Risks	Mitigating Issues
Regulations for the registration of MFIs may not be ready to support the transformation of	The SBV is currently finalising these regulations, with senior level support by the AsDB and

PWDFs into MFIs.	AFD. This work is expected to be completed well before the two Social Funds are ready for registration as MFIs under the Credit Institutions Law.
Financial institutions may not be ready to finance the investments required in various operations in adaptation and value chain activities.	The pro-active method proposed when operating Activity 2.1.3 is planned to mitigate just this potential risk.

### Follow-up Actions

- 97 To ensure a smooth take-off of Sub-component 2.1 activities when AMD becomes operational, the need for the following follow-up actions can be foreseen:
- Complete the selection process for the villages for the establishment of new SCGs in both provinces and start preparations for sub-component activities in these areas
  - Use the results of the IFAD-supported international technical assistance missions for the MFI transformation carried out in Ha Thin and Quang Binh to organise the start-up operations of the new Social Funds in Ben Tre and Tra Vinh
  - Continue and intensify the current capacity building and planning processes in both WU Social Funds, to prepare the Social Funds for the support operations of AMD.

### **Sub-Component 2.2: Investing in Climate Change Adaptation**

#### Rationale

- 98 Viet Nam is considered one of the most disaster-prone countries in the world. According to the Vietnam Central Committee for Flood and Storm Control (CCFSC 2005), there are about 30 tropical cyclones occurring in the Western North Pacific annually, of which 11-12 land in the South China Sea, and six to eight storms and tropical depressions affect the territory of Vietnam each year. The Mekong Delta ranks amongst one of the most badly affected geographic areas in terms of disaster occurrences, rating highest with relation to flood risk and saline intrusion, and equal highest in terms of storm, riverbank collapse, storm-surge and fire risks .
- 99 Communities in the project provinces of Ben Tre and Tra Vinh already feel the aforementioned effects of CC. The most serious challenge is with regard to increasing salinity. Reduced river flow due to upstream water consumption combined with SLR and storm surges are leading to salinity penetration deep inland resulting in losses in aquaculture, perennial crops and livestock production, reduced supply of potable water and over-use of ground-water resources. These effects are forecast to become more severe and the livelihood options of the Mekong Delta communities will be increasingly constrained if adaptation to CC measures not developed and implemented. Ethnic minorities, landless households, the poor and near poor – especially amongst women-headed households - are of particular concern, being highly vulnerable to the vagaries of CC. The impressive gains in rural poverty reduction in recent years will be unravelled due to CC phenomena unless proactive efforts are taken to effectively contend with the anticipated threats. The AMD project seeks to address these challenges.
- 100 Communities can be empowered to directly address these CC constraints. Using community driven approached described in Component 1, communities can identify strategies at both community and household level to reduce CC risk. This will involve a mix of investment in infrastructure to climate proof local communities combined with co-financing at household and enterprise level to address the public good cost of transforming agriculture and aquaculture production systems to be more resilient to CC impacts.

#### Objectives, Strategies and Activities

**101** The objective of the Investing in Climate Change Adaptation sub-component is *to enable communities, rural households and agri-business to create/protect income and employment through investment in CC adapted production, processing and market technologies and opportunities*. Sub-component 2.2 consists of three activities:

- 2.2.1: Community Infrastructure for Climate Change Adaptation
- 2.2.2: Co-financing for Climate Change Adaptation
- 2.2.3: Public-Private Collaboration in a Changing Environment.

### **Sub-component Investment Activities**

#### 2.2.1: Community Infrastructure for Climate Change Adaptation

- 102** Public *Infrastructure* Investment grants of up to USD 133,000 per commune (including local contribution) will be available for infrastructure items normally considered as public goods, that are judged essential to CC adaptation or disaster risk management at commune level, including items such as, *inter alia*, disaster-proof roads, secondary or tertiary irrigation or drainage structures for salinity control, erosion protection and soil management, sanitation and waste management, renewable energy or fresh water supply. Wherever possible, local labour, particularly youth and minority people, will be used for works construction, supported by vocational training when required (see para. 89). The community contribution will be at least 10% of total construction costs of public infrastructure works. Individual public infrastructure investments will not exceed USD 60,000 without prior agreement with IFAD. Some examples of these investments include:
- 103** Household and community water supply through enhanced rainwater collection and treatment and distribution of brackish water. There are general shortages of potable water supply and many households are *forced* to buy water from vendors and/or store water from the rainy season in concrete water tanks. There is scope for improving the water harvesting and storage system and different models for collection would be explored and the financial feasibility assessed. With average annual rainfall of 1500 mm, there is scope for improving the water harvesting and storage system and different models for collection would be explored and the financial feasibility assessed. It should be possible to use existing house roofs, but there may be a need to improve roof surface, pipes and tanks.
- 104** Locally identified salinity barriers and water management structures to enable proper management of occasional salinity intrusions so that a wider variety of crops may be grown. This would be linked to *the* biophysical monitoring supported under Sub-component 1.1 particularly applicable when areas affected by dry season salinity are switched to alternative crops such as cacao. This crop is sensitive to salinity, but does not need the same level of irrigation as rice, and thus can be an effective alternative if the occasional salinity intrusions are stopped.
- 105** Investment in irrigation systems to improve water management, thus providing for production requiring less water or water with higher salinity. This to facilitate a transition away from the traditional abundant use of irrigation water. This is already being initiated by farmers who may shift to more saline tolerant rice crops or to shrimps, or opt for coconut production systems, possibly intercropped with high value fruit crops or cacao amongst others which require less water but with low salinity.
- 106** Investments in conversion to other cropping systems often entail comprehensive soil works. Coconuts are initially intercropped with sugarcane to provide farmers with income till the coconut palms start to produce nuts after five years. Coconuts are relatively saline tolerant, but intercropping with saline sensitive crops, such as cacao, citrus and other fruits, is common in order to increase total income from the farming system. Such intercropping requires improved irrigation management practices to avoid salinization. Farmers with water supply problems are also increasingly depending on water from tube-wells for irrigation of vegetable, watermelon and other crops. This practise in its current form is unsustainable, as excessive use has lowered the level of water table causing wells to become dry, risking the production of the crops they are intended to irrigate. There is also an increased the risk of salinity intrusion to the aquifer. The project would therefore provide support for investments such as:



- 107** Improvements of the irrigation canal system through deepening the canals to increase storage capacity and thus enable better irrigation practices. Such investment in increasing storage may be combined with dyke reinforcement to protect against saline water intrusion.
- 108** Application of more water efficient irrigation techniques such as those systems already tested by DARD which reduce water consumption by 30%, as well as reducing electricity and labour costs and enables more efficient use of fertilisers and pesticides.
- 109** Investments which facilitate income development (and thus build resilience), such as improved access roads, culverts, small bridges and renewable energy facilities. These would be carried out in conjunction with improved field and irrigation management or off-farm investments, e.g. in post-harvest facilities, processing etc. Their technical and financial feasibility would be assessed with respect to generating improved productivity and revenue.
  - a) Investment in a central shrimp seed quality testing unit be established with the required infrastructure and equipment, under one or more the District Peoples Committees. This would be accompanied by training of required personnel, as well as the development the required rules and regulations for quality assurance of seed stock.

#### 2.2.2: Co-financing for Climate Change Adaptation

- 110** There is a recognised need in Ben Tre and Tra Vinh provinces for households to invest in production systems adapted to climate change impacts, energy efficient farm equipment and renewable energy technologies that could sustainably increase household incomes. Under Component 1 and Activity 2.2.3 (Public Private Collaboration), AMD will actively promote the awareness of smallholders of new resilient farming technologies and support the related marketing arrangements.
- 111** It is also recognised that such shifts in production can involve substantial costs, including delayed yields that may constrain investment in improved resilience by poor households. To support and accelerate this climate-wise investment process, AMD would provide matching grants for Climate Change adaptation investments by poor and near-poor households. Based on detailed project proposals by the farming households, household enterprises and cooperatives, AMD would approve matching grants that could cover up to 50% of the costs of each investment, with a maximum grant of VND 30 million (around USD 1,500) per household. If the households apply for matching grants through a small cooperative, the maximum AMD grant to such a cooperative is the number of benefiting members times VND 30 million. The total grant amount per any cooperative cannot, however, exceed VND 750 million (around USD 37,500).
- 112** While the AMD matching grant could finance a maximum of 50% of the project costs, the grant recipient would finance the rest from his/her own resources or through a loan from a financial institution. Contribution in kind would not exceed 30% of the total investment. The 20% cash/loan contribution is important to ensure the commitment to and ownership of the investment by each beneficiary.
- 113** With the grants, the financed amounts per each project, as well as the related risks for financial institutions, would be lower and collateral requirements more flexible<sup>56</sup>. Both VBSP and VBARD have expressed enthusiasm to participate in this joint financing scheme, which could also be linked to capitalization they received from the IFAD loans under the previous project phases. Both banks also indicated their willingness to participate in the teams that would introduce this joint financing scheme to the communes/villages of the AMD area. Further, to improve chances of investment success, technical support to the grant recipients would be provided by the AMD technical staff and sectoral public and private technical support organisations in the province.

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<sup>56</sup> VBSB issues all loans up to USD 1,500 equivalent against the character information of the borrower and group guarantee, without fixed collateral. For commercial banks such as VBARD, government Decree 41 of 2010 allows and encourages the banks to issue agricultural loans below the USD 2,500 equivalent without any fixed collateral.

- 114** The eligible beneficiaries for the matching grants are the poor and near-poor smallholders in the AMD area, who can, after the grant support, demonstrate the long-term viability of their small, climate change resilient projects. The matching grants for Climate Change adaptation would be processed through the AMD functionaries and staff at the commune, district and provincial levels. In Ben Tre province, the final decisions on grant approval would be made by the district project offices. In Tra Vinh province, the final decisions on grant approval would initially be made by a sub-committee to be established in the AMD PCU, with responsibility transferred to district level as capacity builds. The proposals for the AMD matching grants would be screened concerning both their environmental appropriateness and their longer term financial viability. As a part of the AMD start-up activities, the detailed eligibility criteria, procedures and rules for the matching grants will be documented in an Operations Manual for Co-financing for Climate Change Adaptation.
- 115** The AMD investments under the Co-financing for Climate Change Adaptation activity are:
- a) Capital for matching grants (USD 2.25 million equivalent from AMD for each province, to be matched by a similar contribution by the beneficiaries/financial institutions)
  - b) Substantial technical support by the project to inform potential beneficiaries of investments options in climate-wise investment models and to assist them in the preparation of the grant applications to AMD.
- 116** Examples of activities that could be supported include:
- a) Farm level commercial investments such as small hatcheries for shrimp, fish, clams, commercial crop seed production and tree nurseries, adoption of Better Management Practices (BMPs) in aquaculture, improved salinity/temperature resistant rice seed multiplication and farm level investments in improved irrigation techniques. Some examples of the key investments would be;
  - b) the improvement in the productivity and management of existing small scale shrimp hatcheries, through investment in hardware as well as with suitable training for operators;
  - c) establishing shrimp hatcheries at District level based on demand and need, and training the personnel for this purpose, as well as building capacity in shrimp seed quality evaluation;
  - d) switching from intensive rice to more CC resilient perennial crops such as cacao and coconut; and,
  - e) switching from labour-based employment to micro-enterprises in livestock production.
  - f) Environmentally sound investments such as bio-energy, solar power and low energy consuming irrigation pumps. This might include provision of climate smart services such as installation of improved water-efficient irrigation systems.
  - g) Off-farm enterprises such as small processing and storage facilities for all farm and aquaculture produce and factories and businesses to produce non-farm goods and services (including tourism services) for rural employment creation.
- 117** Technical assistance is in demand, especially among farmers who are in changing to another cropping system. Training for operation key productive investments, application of data from early warning systems for salinity levels, aquaculture seed quality evaluation, better agronomic practices especially moisture conservation, pesticide and fertilizer application and strengthening of CIGs and creation of new groups to facilitate access to credit and use of contract farming systems would be included. Training will primarily be provided to farmers' interest groups (CIG) and through mass media television, radio and text messages. Independent short training events designed in accordance with the technical capability of the trainees would also be used. Follow up training would be provided farmers field school (FFS) approaches, especially when training is provided in conjunction with introduction and testing of new techniques and equipment, e.g. for SRI or water saving irrigation systems. The project will be flexible in the selection of service providers for training and technical assistance. It would experiment with non-traditional ways of providing TA and pilot new approaches. Examples of new approaches would include:

- a) Farmers working in a CIG could be provided with funds to procure TA themselves, the so long as this is approved by the project.
- b) Post-harvest processing companies providing technical assistance. The project would attempt piloting company linked TA and training to farmers/possible middlemen (transporters) to ensure the best quality of farm produce.
- c) Training of farmers who are especially interested in valuable crops, e.g. cacao production can receive individual training and hereby become a local cacao specialist who can be hired by other farmers who want to engage and improve their cacao production.

### 2.2.3: Public-Private Collaboration in a Changing Environment

- 118** In keeping with the current SEDP and the recently completed Green Growth Strategy, Vietnam's strategy for agricultural and rural development is evolving to adopt and apply the concept of 'sustainable development', organizing key objectives under the 'Triple Bottom Line' of economic development, social development and environmental protection. In applying this strategy, the GoV sees the opportunity and need to pursue various forms of public-private collaboration (P-PC) in order to realize the Triple Bottom Line objectives. P-PC is a government provided enabling environment for private agro or rural enterprise investment or trade. This includes provision of public infrastructure, regulatory services, and the maintenance of law and order, and may also include some specific incentives/subsidies/services/resource allocations which are favorable for agro-enterprises or investors in certain locations.
- 119** The GoV, through MARD seeks to pursue various forms of P-PC in order to more quickly or effectively realize key sectoral (economic, social, and environmental) goals. Specifically, GoV expects PPC initiatives to contribute to:
- a) Increasing the volume of rural and agricultural investment, even in the face of fiscal constraints;
  - b) Increasing the quality of sectoral investments and the quality of technical services;
  - c) Fostering innovation, both of a technical and institutional nature;
  - d) Improving management—of natural resources, supply chains, and of various production and commercial risks; and
  - e) Contributing to more rapid structural change at the primary production level and within supply chains, to bring about improved efficiencies
- 120** **A Public-Private Collaboration** (P-PC) facility will co-finance investment by private businesses in support of climate smart value chain development and rural employment generation. The PCU-managed P-PC facility will encourage private sector investments in Ben Tre and Tra Vinh by co-financing up to 49% of investments in quality input supply for and raw material marketing/processing of products from adaptive farming systems (tree crops, aquaculture, vegetables, livestock, etc.), resulting in increased income and job opportunities amongst poor and near-poor households. Co-financing will start at USD 15,000 as a minimum and, initially, reach USD 60,000 as the maximum. The P-PC will be reviewed regularly and the grant amount adjusted based on co-financier performance. The AMD will provide approximately USD 4 million (including co-financing) for P-PC facility financing. All investment proposals will be consistent with the CC adaptation investment opportunities identified by the DARD sub-sector studies (Sub-component 1.1). For each selected sector/sub-sector a value chain Strategic Investment Plan (SIP) will be prepared. The SIP will list the potential types of investments eligible for P-PC support and each type of investment will be accompanied with a realistic business model/financial analysis. The SIP will be used as the framework for calling entrepreneurs to express their interest for investment in Ben Tre and Tra Vinh.
- 121** Under the P-PC programme, rural youth and minority people will also be targeted for vocational training in (i) skills needed to support agri-business investment financed through the P-PC Facility. This programme will be developed in partnership with the provincial Enterprise Associations and could be publicly or privately delivered.; and (ii) skills that could be quickly developed or applied through an employment-linked community-based public infrastructure program, planned under the MoSEDP

process and funded through both project and NTP resources. Community infrastructure vocational training could focus on such skills as concreting, carpentry, road levelling and surfacing, brick laying, semi-skilled machine operation, painting and public infrastructure maintenance. The AMD will only finance such training where it is not already available through DoLISA.

### **Implementation Arrangements**

#### 2.2.1: Community Infrastructure for Climate Change Adaptation

- 122** Community infrastructure investment schemes will be identified and prioritized during the annual commune SEDP process and, with consultant support where required, verified by the district line agencies in collaboration with the PCU before approval. Where possible, project funding will be blended with funding from NTPs. Community People's Committees (CPCs) will be the owners of community infrastructure projects, however, VDBs in benefitting community will be responsible for managing the implementation of the public investment. VDBs should have at least: 40% female membership; 40% membership from DoLISA registered poor households and, in Tra Vinh, 40% representation of minority communities. Beneficiary communities will be required to demonstrate an ability to support associated long-term operation and maintenance costs. The Competitive Small Grants Manual, developed by the IFAD Viet Nam Country Office, will form the basis of the PIM for this activity.

#### 2.2.2: Co-financing for Climate Change Adaptation

- 123** The overall responsibility of the matching grant operations under the Co-financing for Climate Change Adaptation activity in both provinces will be with the AMD Project Directors. He/she would be supported in the planning and supervision of the activity by the two Rural Finance Specialists/Officers and the senior staff of the PCU, who work on the promotion of the climate change resilient farming models.
- 124** Before the AMD start-up, an Operations Manual for the Co-financing for Climate Change Adaptation activity will be developed, to be applied in the two provinces. The provinces will be jointly responsible for this development work. The work carried out during 2013 in Ha Tinh and Quang Binh provinces to develop a largely similar Manual will directly benefit this development work in Ben Tre and Tra Vinh.
- 125** The matching grants for climate-smart agricultural investments will be introduced to the AMD communes and villages during the AMD start-up workshops. AMD will fund the printing of leaflets to support this process, covering the key objectives, rules, limits and procedures of these grants. Further information to potential grant recipients would be provided on a continuous basis by the commune and district level staff and functionaries of AMD.
- 126** Slightly different processing and approval processes have been agreed on matching grants for climate change adaptation on for the two AMD provinces. In Ben Tre province, the applications are submitted to the AMD team at the commune level, which would evaluate the proposals against the agreed technical and financial criteria. The rejected applications would be returned to the applicants. The recommended applications would be submitted to the district AMD offices. There the Agricultural Officer and the Planning Officer would conduct the final review of the applications. The recommended applications would be forwarded to the Chairman of the DPC, who would make the final decisions on the approval of the matching grants. The district of offices of AMD would inform the PCU on its decisions on the matching grant applications.
- 127** In Tra Vinh province, the commune offices of AMD would receive the applications for matching grants for climate change adaptation and evaluate the proposals against the agreed technical and financial criteria. The rejected applications would be returned to the applicants. The recommended applications would be submitted to the district AMD offices. The district offices would collect the applications and send them forward to the PCU in the province. In the PCU, a Sub-committee for Matching Grants would be established. It would consist of the AMD Project Director (Chairperson), the AMD Rural Finance Specialist, the AMD Climate Chance Specialist, a representative from DARD, and a representative from the provincial Poverty Reduction Office. This sub-committee would process the

recommended applications and make the final decisions on the matching grant approval. As capacity in the AMD network builds, the responsibility for matching grant approvals would be transferred to district level.

- 128** The final decision by the PCU on each matching grant will be communicated through a letter to the grant applicant. The applicant can then use the decision on the grant approval to support his/her loan application for any required credit amount from any type of financial institution operating in the commune/district.
- 129** When the applicant has managed to complete the whole financing package for his/her investment, he/she will, through a letter with supporting documentation, communicate this to the AMD commune office and request for the disbursement of the approved grant. Depending on the investment, the disbursement can take place either in one transaction or in tranches. If the applicant already has a bank account, the number of the account is included in the original application for the matching grant. If he/she does not have a bank account, he/she must open one in a local bank (all communes have mobile services by VBSP and VBARD). All grants are disbursed direct to the recipient through their bank accounts. The provinces report that this disbursement procedure is well known in the communities as it is practiced in other support schemes.
- 130** The PCU staff and the AMD Supervision Missions will, through their periodical field visits, assess the performance of the communes in this matching grant process. In the event a commune fails in their management and follow-up tasks in the matching grant scheme, the AMD management is expected to stop the operations with the matching grant for climate change adaptation in this commune and re-allocate the funds to the other communes in the AMD target area.
- 131** While principles of the above type are expected to form the core of the matching grant for climate change adaptation investment procedure, the final Operations Manual with eligibility criteria and detailed processes would be developed by early 2014, to be ready when the actual implementation is expected to commence in mid-2014.
- 132** 2.2.3: Public-Private Collaboration in a Changing Environment
- 133** A Public-Private Collaboration (P-PC) facility will co-finance investment by private businesses in support of climate smart value chain development and rural employment generation. The PCU-managed P-PC facility will encourage private sector investments in Ben Tre and Tra Vinh by co-financing up to 49% of investments in quality input supply for and raw material marketing/processing of products from adaptive farming systems (tree crops, aquaculture, vegetables, livestock, etc.), resulting in increased income and job opportunities amongst poor and near-poor households. Co-financing will start at USD 15,000 as a minimum and, initially, reach USD 60,000 as the maximum. The P-PC will be reviewed regularly and the grant amount adjusted based on co-financier performance. The AMD will provide approximately USD 4 million (including co-financing) for P-PC facility financing. All investment proposals will be consistent with the CC adaptation investment opportunities identified by the DARD sub-sector studies (Sub-component 1.1). For each selected sector/sub-sector a value chain Strategic Investment Plan (SIP) will be prepared. The SIP will list the potential types of investments eligible for P-PC support and each type of investment will be accompanied with a realistic business model/financial analysis. The SIP will be used as the framework for calling entrepreneurs to express their interest for investment in Ben Tre and Tra Vinh.
- 134** Only legally registered cooperative societies and companies of at least 12 months standing will be eligible to apply. Entities that are the subject of bankruptcy, criminal investigation, fraud, corruption or are in default of contractual agreements will be ineligible. P-PC investments will be awarded on a competitive basis for capital investments in civil works, equipment (processing, packaging, energy generation or environment protection), transportation and marketing, related directly to the core activity of the investor. The competitive allocation of P-PC co-financing will be weighted toward lead firms that integrate poor households into their value chains and contribute in excess of the 51% minimum.



- 135** Legal entities eligible to apply for P-PC include: (i) sole Proprietor/individuals; (ii) cooperative societies/associations; (iii) partnership; and (iv) companies. As par to the eligibility the entities mentioned should be able to provide the documents mention below.
- Business License
  - Certificate of registration and extract from Registrar
  - Annual tax Return Report (2 years)
  - Capacity Document of Board of Director, CEO, CFO, CTO
  - Memorandum and Article of Association
  - Permission for the AMD to collect information from trade partners.
- 136** None of the above entities shall be eligible for support under the following circumstances:
- Having gone bankrupt or being liquidated; having its operations managed by courts; signing agreements with creditors, having its operational activities suspended; being subject to procedures concerning these matters or being in a condition due to a similar situation as per national laws or arrangements;
  - Being sentenced for offences related to their own business which cannot be appealed;
  - Being convicted of gross abuse related to business matter which can be confirmed by the AIU;
  - Non performing obligations related to the payment of social security contributions or tax payments in accordance with the legal provisions in Vietnam;
  - Being subject to an adjudication due to being involved in fraud, corruption, a criminal organization or other illegal activity which cannot be appealed;
- 137** The Lead Firm (LF) and/ or its implementing partner(s) contribution to the investment can be made in cash and/ or in kind. However, the in-kind contribution should not exceed 70% of total LF counterpart's contribution. The in-kind contribution may include e.g.:
- Labour;
  - Land use rights;
  - Equipment, vehicles, building and other capital goods and/ or raw materials contributed to build up/ acquire such goods during the agreed project timeframe
  - Purchase and rent of land or existing buildings
  - Working capital
- 138** The in-kind contribution must be supported by appropriated documentation stating its value. The documentation must be based on market evaluation undertaken by an independent authorized entirety who will be hired by PCU to undertake the evaluation. In-kind assets directly related to the investment with P-PC support can be accepted if procured/user-rights has been obtained within 24 months from the time of submitting the concept note. In-Kind contribution cannot excide 70% of total contribution by the LF.
- 139** The P-PC will not accept the following assets neither as the LF's contribution nor as expenditures eligible for reimbursement:
- Leasing of equipment, land and facilities
  - Bank charges, cost of guarantees and similar charges

- Value of intellectual property rights
  - Value of previously existing inventory used for the production of the project goods and/ or services
  - General costs involved of an investment project proposal development/design (architects', engineers', consultants' and general legal fees, costs of feasibility studies for preparing the Detailed Investment Proposal and costs for acquisition of patents and licenses, etc.).
- 140** The 30% cash contribution has to be deposited into the designated LF/A-PC Co-financing Accounts held by the LF and accounted for separately in the books of accounts of the LF. The 30% contribution cannot be reduced over the duration of the GCFC. However, the LF can expand this level using own resources or other (equity and debt) non APFI funding.
- 141** The P-PC is separating investment items into Public Orientation (PO) and Company orientation (CO).
- 142** The P-PC can contribute maximum 30% of its total co-financing towards Public Orientation investments. There is no limitation for the LF funding of PO activities. The PO investments are those directly related to suppliers of raw material and capacity building of RHH and capacity building of LF's employees including:
- Documented Technical Advisory Service to RHH and training of RHH
  - Documented training of LF personnel
  - Documented Provision of production credit cash or in kind
  - Documented procurement cost for raw material
  - Document joint (LF and RHH) investment in intermediary produce collection and processing centres
- 143** P-PCs funding level of items (iii) and (iv) will have to continue annually or for the production cycle throughout the co-financing period. The funding by the LF can and is expected to be increased during the co-financing period.
- 144** A total of 70% of P-PC co-financing should be for CO investments. CO investments are capital tied up in plant, equipment, rolling stock related directly to the core activity of the LF including:
- Civil works related to storage and processing of raw material
  - Processing and packaging equipment
  - Transportation related to collection of raw material from RHH and shipment of finished product
  - Equipment for energy generation for processing plant
  - Equipment related to environmental mitigation
- 145** The investment supported by P-PC shall assist a minimum of 1 rural household per USD 500 of co-financing e.g. total P-PC co-financing of USD 50,000 should provide direct tangible benefits to a minimum of 100 rural households including 40 poor, women headed or minority households. The direct tangible benefit should be in the form of:
- Rural household sale of raw material to LF
  - Rural household receiving training and advisory service
  - Rural household receiving production credit

- Rural household formed into cooperatives/associations jointly own intermediary processing/assembly facility for raw material

**146** The PSC will be responsible for adopting recommendations for P-PC investments, which will be approved by the PPC. Poor people benefit — income, jobs, value added products, and productivity and market access and gender equality — will be important criteria in investment proposal evaluation, together with commercial viability, environment impact and cost effectiveness assessments. The P-PC programme will be underpinned by a technical, business management, accounting and Information Communication Technology (ICT) capacity building program for District and Commune level businesses with a view to improving their farmer service capacity, profitability and enterprise linkages, both at local level and to upstream quality suppliers and markets. It is recommended that the provincial Enterprise Associations mentor this programme.

### **Benefits and Impact**

**147** The Community Infrastructure for Climate Change Adaptation investments are expected to provide long term reduction in climate vulnerability that will be enjoyed by the whole community. These investments will provide the foundation for secure household and enterprise investment in climate smart agriculture and aquaculture production systems.

**148** The benefits from the Co-financing for Climate Change Adaptation activity of AMD are expected to be substantial in both environment protection and income generation terms. The number of directly benefiting households is expected, when calculated at an average grant size of USD 1,000 equivalent, to be around 4,500 for the two AMD provinces. As all the on-farm investments are expected to follow the tested methods for climate change adaptation, the benefits for each household are expected to be long-lasting and sustainable.

### **Exit Strategy and Scaling-up**

**149** Communities benefiting from Community Infrastructure for Climate Change Adaptation co-financing will be trained in the management of these investments and will need to demonstrate both the commitment and capacity to ensure their future maintenance prior to the investment being financed. NTP-NRD and NTP-RRC funding will be used to co-finance these investments and will, ultimately, finance their scaling up.

**150** The Community Infrastructure for Climate Change Adaptation grants are one-off grants to enable project communes to directly address climate change impacts. The investment planning process is fully integrated with those of the GoV NTP-NRD and NTP RCC programmes with future climate change investment capital, driven from GoV and bilateral and multilateral funding sources expected to flow to communes through those respective programmes.

**151** The matching grants for climate change adaptation do not have a revolving element and can be issued only as long as AMD budgets for the purpose are available. At the same time, if successfully implemented, they could have a major demonstration effect in this area severely affected by the impacts of the climate change. This would encourage similar investments by other funding agencies, including the government. Importantly, the inclusion of the financial institutions in the scheme from the beginning aims at making them aware of investment opportunities of this type, to finance climate-wise agricultural projects in the future increasingly from their own funds.

**152** Public-Private Collaboration is being developed as a national strategy to support agricultural sector growth and climate change adaptation. MARD is, with IFAD support, developing a national P-PC strategy, which will both inform and be informed by the AMD P-PC experience. All investments made under this activity will be rigorously tested for their financial sustainability before financing. In the medium term, it is expected that the GoV will finance a national agriculture P-PC programme.

### **Risks and Issues**

**153** Specific risks to the successful implementation of Sub-component 2.2 are listed below in Table 2, with comments of mitigating issues and mechanisms:



**Table 2: Sub-Component 2.2: Potential Risks and Mitigating Issues**

Potential Risks	Mitigating Issues
Financial institutions are not willing to finance their assumed share of on-farm projects to be supported by matching grants.	The consulted banks have clearly indicated their willingness to joint financing, as risks for banks will be limited due to the matching grant and technical support elements.

**Follow-up Actions**

- 154** To ensure a smooth take-off of Sub-component 2.2 activities when AMD becomes operational, the need for the following follow-up actions can be foreseen:
- a) Prepare a practical and implementable manual for the operations of the Co-financing for Climate Change Adaptation activity.

## **Appendix 5: Institutional aspects and implementation arrangements**

### **A. Introduction**

1. Ben Tre and Tra Vinh provinces will start implementation of AMD with a distinct advantage, having implemented IFAD projects earlier, namely the Developing business with the Rural Poor Project (DBRP) in Ben Tre and the Improving Markets Participation of the Poor Project (IMPP) in Tra Vinh. Both the projects have been given a strong positive assessment of their impacts on the decentralization of project investment to commune and village levels, increasing the participation of beneficiaries and enhancing the ownership of local authorities, as well as promoting grass-root democracy in poverty reduction. The projects have introduced to local stakeholders the tools for market-oriented planning such as value chain development, promoted market linkages and enhanced collaboration between the private sector and larger scale farmers who act as leaders for “pulling” poor households into new income generation opportunities and technology transfer as well as the provision of input and output services.
2. The results from both DBRP and IMPP demonstrated that the participatory approach and decentralization to commune and village level, as well as the pro-poor market-based public-private partnership approach was feasible and should be expanded, in particular, the application of the Market oriented Socio-economic Development Plan (MoSEDP) in communes and villages’ development planning. SEDP facilitates beneficiary, community and private sector service providers’ participation in the whole planning process, from needs identification, prioritization, planning, and implementation to monitoring and evaluation. The Provincial Project Preparation Boards established by the respective PPCs have placed considerable emphasis on the success of the decentralized, market-based public- private collaboration (P-PC) approach and expressed their strong support for the replication of this model for the strategic management of AMD in both provinces. At the same time, it was agreed during AMD formulation that the staff who have been trained and have experience with the innovative approaches adopted under DBRP and IMPP should be retained to support implementation of AMD.
3. In addition to the replication of successful models, the organizational and management structure proposed for AMD is based on the lessons learnt under the previous projects, which can be summarized as follows:
  - a) TORs specifying positions, roles and functions of the Project Steering Committees and Project Coordination Units at all levels and their reporting system are critically important to ensure the project implementation performance in its early stage;
  - b) Lack of participation of the private sectors in decision making processes, such as in meetings of Project Steering Committees and project management units and planning workshops, led to poor effectiveness of the project’s efforts in development of value chains and private sector partnership;
  - c) Financial management mechanism and flow of funds for all outputs and activities should be clearly specified in the project design and project implementation manual (PIM);
  - d) Prescribed positions for project management units at all levels left little room for flexibility of decisions based on actual demand vs. human resource availability;
  - e) IFAD project management should not create different systems, parallel with the existing local institutional setup. This led to higher recurrent/overhead cost due to the establishment of many additional management boards with substantive numbers of full time and part-time staff requiring monthly salaries and allowances;
  - f) The complicated structure of outcomes, lead agencies and co-implementing agencies at the province level has slowed early project implementation due to unclear roles and responsibilities among provincial agencies;

- g) The project capacity building interventions should focus on improving public services at the district and commune levels to ensure effective decentralization;
  - h) The projects lacked effective tools to ensure performance accountability and competition amongst the project districts and communes;
  - i) Coordination and information sharing between IFAD projects and other donor-funded and NGO projects was not adequately managed and should be identified during the project formulation and negotiation;
  - j) Project M&E systems were quite robust in terms of generation of timely and sufficient data but remained weak as a management tool for planning, strategizing and implementation;
  - k) Poor cooperation/coordination among IFAD projects in the same region in terms of market linkages, value chains and private sector partnership should be addressed.
4. This annex outlines a project management system that will meet the objectives of the project through replication of the successful approaches generated by DBRP and IMPP, while incorporating the lessons learnt from these projects.

## B. Project Strategic Management

5. In general, the project will adopt similar implementation arrangements to those used for previously IFAD projects, incorporating the operational and managerial experience and lessons learned as detailed above., Outcome 3 – Project Management is designed to maximizing project effectiveness and efficiency through the implementation of the following principles:
- a) The project management structure will adhere to the current structure of local institutions, building capacity to address poverty through market-based approaches, but these will now also incorporate climate-smart criteria to enable an effective response to the need for CC adaptation;
  - b) The project will decentralize its resources to the commune and village levels while mobilising private participation and strengthening public market and value chain development service providers;
  - c) The project will focus its support in the 30 priority communes identified in each province using the agreed criteria for selection for initial CC adaptation investment;
  - d) Application of the “learning by doing” approach to introduce innovations to communes and promoting replication on increasingly larger scales when concepts are effectively proven;
  - e) Changes of the roles of the provincial agencies from traditional implementing bodies to the positions of knowledge sharing and policy/guidelines makers;
  - f) Mainstreaming the participation of the private sector throughout the planning, implementation, monitoring and evaluation of the project activities;
  - g) Strict implementation of IFAD policies and guidelines in result-based project management; and,
  - h) Inter-provincial coordination for efficient technical assistance use, synergies development and reduced implementation costs.
6. The proposed AMD management and oversight is consistent with the Government regulatory framework for ODA management as specified in the Government’s Decree Number 131 issued in 2006 and the MPI Circular Number 03/2007. The Province Peoples’ Committee (PPC), District Peoples Committees (DPC), and Commune Peoples Committees (CPC) will have overall responsibility for program management and coordination of all departments and other agencies at their respective levels for implementation of the project.
7. **Provincial Peoples Committee.** According to Decree 131, at the province level, the Ben Tre and Tra Vinh Provincial Peoples Committees (PPCs) will be the Project Coordination Agency (Co quan chu

quan). The PPC will establish Project Steering Committees (PSC), which will assist the PPC in leading government agencies, mass organization, private sectors and communities at all levels to ensure achievement of the project objectives.

8. In line with government regulations, the PPCs are also the Project Owner (Chu dau tu). Oversight to ensure adherence to Government of Vietnam's policies and norms and the IFAD Loan and Grant Agreements will be provided in each Province by the PPC. In accordance with the Circular 03/2007 of MPI on ODA project management, the PPC will issue a Decision in each province on the establishment of the Project Coordination Unit (PCU), referred as Ban Quan Ly Du An under Decree 131. The PCU reports to the PPC and acts on its behalf to ensure coordination among all the involved stakeholders, including the provincial agencies, districts, communes, the private sector and the NGOs. The PCU, operationally and financially, manages the day-to-day implementation of the project.
9. **Project Steering Committee (PSC).** The PSC is established by the PPC to inform the PPC on overall execution of project implementation and ensure effective coordination/integration/cooperation among all government and donor-funded projects. The PSC will be led by the PPC Chairman (or a Vice-Chairman), comprised of Directors or Vice-Directors of concerned line-departments and Chairpersons of mass organizations and representatives from the private sector. The PSC will inform the PPC on matters concerning the strategic management of the project, including the decisions such as appointment of the PD and Deputy PD, approval of the PIM, annual work program and budget (AWPB), and other decisions related to the project coordination, orientation and mobilization of resources. The PSC will invite the Chairman of the Enterprise's Association and two Directors of private companies that have significant cooperation with farmers in the project areas to join the PSC. The PSC will need to ensure that AMD experience be replicated under the national and provincial programmes and projects. The PSC will meet on a quarterly basis to coordinate project implementation, guide planning, review progress based on the information from the M&E system, make recommendations for any modifications of AWPB as needed, and ensure cooperation among agencies and levels for the coming quarter. (Detailed ToRs for the PSC can be found in the Appendix 1)
10. **Project Coordination Unit (PCU):** A PCU will be established in each province to assist the PSC in coordination of the provincial agencies and in actual management of government's and IFAD resources. Each PCU will report directly to the PSC and act as an advisory body of the PPC and secretariat of the PSC. The PCU is established at the administrative level equal to a provincial department. The PPC Decision on the establishment of the PCU and TORs of the PCU should ensure that the PCU function on behalf of the Project Owner, the PPC. Furthermore, the PPC will ensure that the PCU is to assist the PSC in coordination of all line agencies, relevant donor funded initiatives and other stakeholders to implement the multi-sector integrated rural development project.
11. The mandate of the PCU will be to ensure: (i) coherence of the project approaches and strategies, and integration among project activities in order to produce the project outcomes, outputs and impact; (ii) coordination and synergy of the co-implementing agencies (DARD, DoNRE, DPI, TVU) and technical service providers, and the district and commune level agencies, and grassroots communities; (iii) mobilization of resources from the private sector, mass organizations, professional associations, research institutes, technical units and non-government organizations; (iv) contracting of suitable service providers to undertake various forms of research, studies, technical assistance and training (co-implementing agencies will mostly manage these providers); (v) accountable management of IFAD and Government's resources, including preparation of PIM, AWPB, procurement plan, selection of technical assistance and audit service providers, establishment and operation of M&E system, and other functions of the operational and financial management of the project; and (vi) knowledge sharing and policy development interventions, in collaboration with co-implementing agencies.

12. Each PCU will include 25 staff as detailed in Error: Reference source not found below.

**Table 1. Key positions of Project Coordination Unit**

Position	No.	
	Ben Tre	Tra Vinh
Project Director	1	1
Project Deputy Director	1	2
<b>Strategic Management Section</b>		
SEDP Planning Officer	2	2
Senior M&E Officer	1	1
M&E Officer	1	2
Knowledge Management Officer	1	1
Rural Finance Officer	2	2
Capacity Building Officer	1	0
CC Adaptation Coordinator	1	1
Value Chain/Marketing Development Officer	2	1
Infrastructure Development Officer	2	2
<b>Financial Management Section</b>		
Chief Financial Officer/Chief Accountant – Head of Section	1	1
Accountant	3	3
Cashier	1	1
<b>Administration Section</b>		
Administrative support officer	2	2
Interpreter	1	1
Security Officer/office support	1	1
Driver	1	1
<b>Total</b>	<b>25</b>	<b>25</b>

(Detailed TORs of the major positions at the PCU can be found in Appendix 2)

13. The **Project Director (PD)**, who should have solid experience in working for a previous IFAD-supported project, will lead each PCU. It is recommended that the PD shall be identified prior to project final design, planned for August 2013. The PD shall be fully involved in the project design and negotiation to master the project's new approaches and receive proper training from IFAD on new policies and management skills. The PD, as the Head of PCU, will work full-time for the project, and will have no additional responsibilities within any other provincial department. The major responsibilities of the PD will be to ensure that the involved provincial agencies, districts, communes and villages carry out the project activities in line with the project approach, operating schedules and procedures. The PD will be provided with adequate executive authorities and accountabilities through a Decision of the PPC. The PD will also act as Secretary of the PSC and will execute the PSC decisions on its behalf.
14. The **CC Adaptation Coordinator (CCAC)** would act as a crucial link within each PCU (between the different specialists), as well as with implementing agencies and with the PCU and PSC for the other province. The CCAC would lead initiatives to develop effective engagement with other relevant agencies such as the GEF and UNDP, as well as with other projects providing CC adaptation in the region. This Officer would ensure that there is a consistent and effective process for planning and implementation of CC adaptation, and that there is actually a sustainable benefit accruing to implementing communities and individuals. The CCAC would also be responsible for building of linkages to relevant institutions (e.g. between MARD and the Hydro-meteorology Department) to improve access to available climate risk information and technology. This would enable a more holistic understanding for project staff and stakeholders on environmental and climatic risks in agricultural

systems (e.g. climate modelling; economic analysis; adaptive engineering; flood/drought resistant crops).

15. **Inter-provincial Coordination.** There will be inter-provincial PCU meetings held every quarter to enable cooperation CC adaptation policies and investments, in identification of shared technical assistance providers, inter-provincial value chain planning and implementation, mutual training among similar staff positions and exchange visits/workshops for regional replication and up-scaling. The AWPBs of the provinces will need to ensure the regional approach throughout all the project activities.

#### **Project Management at District Level**

16. **District Peoples' Committee (DPC).** At the district level, the DPC will be responsible for coordination of the project activities and integration with the organizational structures and mandates of the line agencies and mass organizations at the district level. The DPC Chairman (or Vice-Chairman) will be appointed to be responsible for the coordination of project activities with support of a District Support Team established by the project. Under guidance of the DPC, and with technical support from DARD and other province departments, the District Planning and Finance Section (DPFS), District Agriculture and Rural Development Section, the District Agriculture Extension Station, the District Trade and Commerce Section, the District Plant Protection Station, the District Veterinary Station and the other concerned district sections will implement the project with their institutional mandates. Both provinces will employ district technical advisors in numbers proportional to the number of underlying communes and level of project support at commune level.
17. **District Support Team (DST).** To assist the DPC in coordinating project activities the DST will be established directly under the DPC. . The DST will not have project management or implementation responsibilities since these will be assigned to the relevant district technical sections. The role of the DST will be to assist DPC in: (i) overall coordination of activities; (ii) M&E and supporting the DPC on compilation of reports; (iii) ensuring effective integration of capacity building activities; (iv) coordination of market and value chain activities and management of the technical assistance activities; and (v) assisting the CPCs with project implementation. The DST will be directed by the appointed DPC Chairman or Vice-chairman and consist of a fulltime District Coordination Assistant and a fulltime M&E Officer cum Accountant.
18. **Project Management at Commune Level.** The CPC will be accountable for the project implementation at the commune level. In both provinces, the commune's chairpersons, accountant and cashier will receive a project management allowance in line with government policy. In Tra Vinh province, each commune will also have a full time commune coordinator. Both provinces will commence the project commune programme in their 30 selected communes in the first project year. To the extent possible, project implementation will be decentralized to the CPCs, which will receive substantial training to develop their capacities. The SEDP process will guide project implementation at Commune level, including incorporation of CC adaptation principles within value chain development. At the village level the project will utilize the Village Development Boards (VDB) established under the NTP-NRD, building on the experience of similar structures under both the DBRP and IMPP. The VMB is assigned to mobilize communities of the village in SEDP planning and implementation including an integrated approach to the selection of pro-poor value chains and livelihood support activities, infrastructure schemes implementation and maintenance, development of saving and credit groups, development of CIGs and the other community initiatives. VDBs should have at least: 40% female membership; 40% membership from DoLISA registered poor households; and, in Tra Vinh, 40% representation of minority communities.

### **C. Development and Training**

#### **Orientation Workshops and Training Sessions for Project Management Staff at all Levels:**

19. Appendix 4 details key training workshops that will be held for management staff at all levels on project management topics, including, AWPB preparation, M&E system and RIMS, and financial management and procurement. Orientation training sessions will also be held on the project



approach, outcomes and implementation methodology, community participation/social mobilization, targeting, selection criteria, socio-economic survey, SEDP, resource and constraint analysis, livelihood analysis, participatory impact assessment, participatory development, financial and administrative decentralization, communication skills, gender, business and farm management, etc.

20. **Staff Development and Training for the PCU.** The project management faces three main challenges:

- a) Lack of understanding of the CC impact and adaptation methodologies;
- b) Limited capacity for developing and strengthening pro-poor climate-adapted approach; and,
- c) Limited awareness of farmers and farmer's groups in business planning and development.

21. The project management therefore should include:

- a) Investing in capacity building in the first year to build a solid foundation for effective CC adaptation research and planning, especially for the district and commune levels;
- b) Engaging NGOs and private service providers to build up demonstration models in pilot communes and replicate them through a "learning-by-doing" process; and,
- c) Drafting user-friendly manual/guidelines at the initial stage to enable and promote wide use of Training of Trainers (TOT) methodology during implementation.

22. Other related important elements of the leadership training programme will include:

<p><b>Unit 1: Market Economy Management Concepts</b></p> <ul style="list-style-type: none"> <li>• Roles of State Agencies and the Private Sector;</li> <li>• Public-Private Partnership in Agriculture and Rural Development;</li> <li>• Competition and agriculture competitiveness;</li> <li>• Technical and non-technical trade barriers: Agriculture regional and international trade agreements (WTO/AFTA); new trade and financing instruments etc.;</li> <li>• Markets-oriented local economic development planning – concepts and techniques;</li> <li>• Project-based interventions in market and Value Chain planning and development;</li> <li>• Business and farm management principles, including risk management;</li> <li>• Methods and Skills: accessing and utilizing research and data sources on markets and commodities; data-base and spread-sheet applications.</li> </ul>
<ul style="list-style-type: none"> <li>• Practical Assignment: Compilation of background data on selected agriculture products and markets.</li> </ul>
<p><b>Unit 2: Market and Value Chain Assessment</b></p> <ul style="list-style-type: none"> <li>• Knowledge: new market trends (e.g. safe agriculture products, organic production); certification systems and standards for agriculture products (national and international); understanding 'market barriers' (economic and institutional), etc.;</li> <li>• Methods and Skills: market and value chain assessment methods; identification of viable market opportunities.</li> </ul>
<ul style="list-style-type: none"> <li>• Practical Assignment: Analytical studies on selected agriculture products.</li> </ul>
<p><b>Unit 3: Program Planning for Developing Viable Market Opportunities</b></p> <ul style="list-style-type: none"> <li>• Knowledge: review of policy and regulatory environment for agriculture market development in Vietnam; incentive mechanisms for promoting agricultural markets; models of PPP in agriculture and its support policies and measures;</li> <li>• Methods and Skills: feasibility assessment and economic appraisal of market investment proposals; program planning tools; private investment promotion and business planning skills, etc.;</li> <li>• Applying AMD resources to achieve a holistic approach to value chain development in Ben Tre and Tra</li> </ul>

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## ***Appendix 2 - Terms of Reference: Project Coordination Unit***

### **Project Coordination Unit**

1. The Programme Coordination Unit (PCU) is established to assist the PSC in ensuring timely and effective coordination of project implementing agencies and stakeholders. The mandate of the PCU will be to ensure: (i) coherence of the project approaches and strategies, and integration among project outcomes and activities in order to produce the project impacts, outcomes and outputs; (ii) coordination and synergy of the Outcome Coordinating Agencies and other co-implementing agencies and technical service providers, and the district and commune level agencies, and grassroots communities; (iii) mobilization of resources from the private sector, mass organizations, professional associations, research institutes, technical centres and non-government organizations; (iv) accountable management of IFAD and Government's resources, including preparation of a PIM, AWPB, procurement plan, selection of technical assistance and audit service providers, establishment and operation of M&E system, and other functions of the operational and financial management of the project and (v) knowledge sharing and policy development interventions.
2. The main tasks of the PCU include:
  - a) **Annual planning and coordination.** Together with the main implementing agencies, the PCU will draw up an AWPB that reflects both the previous year's achievements and performance and anticipated Project progress. It will consolidate the AWPB for submission to the PSC and obtain prior IFAD comments. The PCU will ensure coordination between other government agencies and externally financed Projects in the Project area
  - b) **Targeting and Gender.** In the planning and implementation of Project activities, the PCU will ensure that the provincial agencies, DPCs and CPCs will maintain the focus on poor and near poor households of ethnic minorities and ensure that women have ample opportunities to participate in project activities. PCU will ensure gender is mainstreamed in all project activities as detailed in the Project Implementation Manual (PIM), to be developed by the PCU in the project activation period
  - c) **Capacity building.** A series of provincial and district-level training workshops will be held on the following topics: strategic planning and processes; using information and data; inclusive planning; and gender and ethnicity issues in planning. Bi-annual workshops will be held in each district with participation of commune representatives
  - d) **Monitoring and Evaluation.** The monitoring and evaluation unit in the PCU will establish an appropriate M&E and MIS system and ensure implementation of IFAD RIMS procedures. Staff in the implementing agencies will be trained in the requirements for M&E.
  - e) **Financial management.** Designated Accounts will be opened and maintained in USD for IFAD payments at a commercial bank<sup>57</sup> at provincial level and held by the PCU on terms and conditions acceptable to the IFAD. The ceiling of Designated Account will be 2.2 million USD. Withdrawal application procedure will be used to initiate a withdrawal and to replenish the designated account. Project accounts will be opened and maintained in local currency for IFAD payments at the same provincial commercial bank for disbursement and direct payment of goods and services during implementation phase.
  - f) **Procurement.** The PCU will carry out all procurement according to the Government and IFAD Procurement Guidelines. It may delegate procurement to implementing agencies and, for community infrastructure, to communes that follow the local regulations on decentralization of investment ownership

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57 The bank will be chosen by the MoF based on the agreement between MoF and the State Bank

- g) **Recruitment.** In collaboration with the relevant implementing agencies, the PCU will develop appropriate Terms of References for staff positions to be assigned to the PCU or the respective agencies and to be funded by the Project. It will organize a fair and transparent selection process and ensure IFAD concurrence for the candidates for the key positions
- 3. Apart from day-to-day project management and coordination, the PCU will organize: (i) baseline and corresponding impact surveys; (ii) regular monitoring activities and Project progress reporting; (iii) bi-annual workshops to involve all project stakeholders in learning from the constant flow of management information, annual reporting exercise and recommending improvements; (iv) project midterm review after two years of implementation; and (v) project completion evaluation.

### ***Appendix 3 - Terms of Reference for Key Staff at PCU***

#### **Project Director**

##### **General scope of the position**

1. The project director will coordinate project management and ensure that implementation is realised according to the conditions of the loan agreement and based on the project appraisal report. S/he needs to ensure effective and timely implementation of the project, with special attention to providing overall inter-agency coordination and facilitation at various levels. Under the direction and supervision of the PSC, the project director coordinates the PCU, provincial agencies, DPCs and the CPCs to ensure that the strategic outcomes of the project are achieved. Particularly, the project director leads the PCU to ensure the M&E requirements described are developed and implemented in a timely manner that represents the views of key stakeholders. S/he is also responsible for making sure there are sufficient and appropriate personnel with the right level of resources and other support needed to implement the project.
2. In particular, the project director will serve as leader of the project management team in order to achieve the following responsibilities: (i) Project Implementation Coordination; (ii) Financial/Asset Management; (iii) Contract Management; (iv) Personnel Management (v) Government Liaison/External Relations; and (vi) Knowledge Management and Policy Development.

##### **Organizational relationships**

3. The project director will be responsible for project progress and will be accountable to the PSC, the government ministries and relevant staff of IFAD. S/he will also be accountable to the project stakeholders for project progress, problems and improvements.

##### **Responsibilities and tasks**

###### Early implementation tasks:

- a) Lead formulation of Project Implementation Manual (PIM) and other guidelines;
- b) Assist the PPC in establishment of the Project Steering Committee;
- c) Appoint key PCU staff and supervise their activities;
- d) Guide the establishment of administrative, accounting and project-outcome M&E systems;
- e) Coordinate training workshops on the project strategy and approaches, AWPB and procurement for the first year with key stakeholders to ensure an updated and shared understanding of the project strategy and information needs;
- f) Ensure that an effective and participatory M&E system is established and effective.

###### Ongoing operational management tasks

- a) Prepare the AWPB and revise the M&E plan and system by seeking stakeholder inputs in order to produce these plans with the full commitment of all the organizations involved in the project. Present the AWPB and M&E plan to the relevant approval bodies in a timely manner for review and approval;
- b) For each service provider contract, ensure that detailed specifications are prepared in a timely, objective, fair and transparent manner, including the M&E responsibilities and administration of terms and awards;
- c) Ensure the holistic implementation of the project, ensuring the project outcomes and levels are seamlessly joined in the pursuit of market-led poverty alleviation amongst poor and minority households;
- d) Make sure the business of the project is conducted in an efficient manner by supervising and monitoring project implementation. Ensure that timely decisions on corrective actions are made and implemented;

- e) Direct and supervise the day-to-day operations of the project, guided by the project document and the AWPB, providing any necessary amendments to ensure smooth performance;
- f) Mobilize relevant technical assistance in a timely manner, with clearly demarcated responsibilities that are based on the participatory and equity principles of the project;
- g) Assure that all contractual obligations are adhered to and make the necessary contacts and efforts to ensure implementation meets project targets;
- h) Regularly appraise staff and provide feedback and support to enable them to do their jobs.

#### Ongoing financial management tasks

- a) Ensure that project expenses are kept, consistent with Government and IFAD administrative and financial procedures and practices;
- b) Ensure that Project suppliers and locally paid staff are paid promptly and adequately through liaison with Ministry of Finance and the IFAD Country Office finance staff;
- c) Ensure that Project expenditure is being coded correctly and consistently (that is allocated to correct category and budget line) and that project funds are used solely for the purposes for which they were granted and in accordance with relevant IFAD guidelines;
- d) Establish an asset register for all assets purchased by or provided to the Project in line with standard IFAD policies;
- e) Check the monthly Project financial report for accuracy and appropriateness. Regularly meet with the Finance Manager concerning financial reporting issues, errors, trends, payment delays and related matters;
- f) Monitor expenditure on a monthly basis against the approved AWPB in order to prepare and send timely fund withdrawal applications to IFAD. Review expenditure projections to ensure that expenditure stays within budget. Significant actual or anticipated expenditure variances against the budget should be included in the monthly report to line management together with any recommendations for changes to the budget.

#### Communication

- a) Develop close working relationships with all project participants and stakeholders – including the primary stakeholders, line departments, private sector and NGOs – all parties required to establish a shared vision of the project to achieve objectives;
- b) Establish and maintain good working relations with the relevant government ministries, as well as other higher-level stakeholder groups;
- c) Ensure easy public access to M&E reports and data and make sure they are widely distributed;
- d) Submit required analytical reports on progress – including indications of planned actions and financial statements – on time and to the relevant bodies, with assistance from M&E staff;
- e) Encourage staff to report frankly on fieldwork, highlighting problems and possible solutions plus lessons learned. Reward innovation in critical reflection and learning;
- f) Ensure the planning of and participate in key reflection moments – in particular, the annual project reviews;
- g) Sign implementation agreements with the implementing partners, defining the modalities for implementation and M&E. Ensure that participatory M&E and learning initiatives are specified in terms consistent with the direction of the project;
- h) Control the budget and safeguard against project funds and assets misuse;
- i) Make all efforts to engage key stakeholders in important external evaluations to ensure an understanding of locally perceived impacts and problems;

- j) See that all ad hoc evaluation studies needed to gain timely and relevant insights into emerging areas of concern are undertaken. Make sure the resulting data is shared with all those involved in decision making and follow up on the implementation of any decisions;
- k) Support external missions in ways that foster a joint learning process that identifies how the project could be improved further to achieve impact.

#### Knowledge sharing and Policy interventions

- a) Consolidate a culture of lessons learning involving all project staff and allocate specific responsibilities of knowledge management to project staff, implementing agencies and project stakeholders;
- b) Ensure that the project captures and share lessons learned through the M&E system, supervision and evaluation missions and periodic visits to sites;
- c) Document, package and disseminate lessons frequently and not less than once every three months;
- d) Facilitate exchange of experiences by supporting and coordinating participation in knowledge sharing workshops, teleconferences, development of IFAD Vietnam website and any other existing knowledge sharing network of IFAD at the regional and country level;
- e) Identify and participate in additional networks, for example scientific or policy-based networks that may also yield lessons that can benefit project implementation.

#### Selection Criteria

##### **Core Competencies**

- a) People Skills: Ability to work independently and as a team player who demonstrates leadership and is able to support and train local and international staff and is able to work with ethnic minority communities in a sensitive and participatory manner;
- b) Communication Skills: Well developed written and oral communication skills. Able to communicate clearly and sensitively with internal and external stakeholders as a representative of an IFAD project. This includes effective negotiation and representation skills;
- c) Integrity: Works with trustworthiness and integrity and has a clear commitment to poverty reduction of local communities;
- d) Resilience/Adaptability and flexibility: Ability to operate effectively under extreme circumstances including stress, high security risks and harsh living conditions. Works and lives with a flexible, adaptable and resilient manner;
- e) Awareness and sensitivity of self and others: Demonstrates awareness and sensitivity to gender and diversity. Has experience and the ability to live and work in diverse cultural contexts in a culturally appropriate manner;
- f) Work style: Is well organized even within a fluid working environment and has a capacity for initiative and decision making with competent analytical and problem solving skills;
- g) Readiness to work with people of all backgrounds without bias;
- h) Ability to coach and mentor staff in a cross cultural environment.

##### Technical Competencies

- a) Sound experience in working for IFAD projects;
- b) Ability to develop and foster external organizational relationships and applied representation skills;

- c) Knowledge and skills: knowledge of Government and IFAD policies and procedures on gender, environment, corruption and general project finance and administration management;
- d) Have telecommunication skills and proficiency in information technology/ computer skills;
- e) Written and spoken English language skills preferred.

## **Deputy Project Director**

### **General**

1. In each participating Province, Government will employ a Deputy Project Director of the Project Coordination Unit (PCU).

### **Duration**

2. The position will be for the full 5-year project period.

### **Reporting**

3. S/he will report to the Project Director and, in his/her absence and on his/her behalf, to the Project Steering Committee (PSC).

### **Responsibilities**

4. The incumbent's responsibilities and roles will be similar but complementary to those of the Project Director. Specifically, she/he will:
  - a) Act on behalf of the Project Director when he/she is not in post. Ensure that the project is implemented within the spirit and conceptual framework as presented in the appraisal report and the project legal documents;
  - b) Maintain the focus on the poor and vulnerable, women and ethnic minorities within the project and ensure that they are able to actively participate in project decision making and implementation;
  - c) Be directly responsible for managing some tasks of the project implementation as assigned by the Project Director;
  - d) Assist the Project Director in ensuring that the PPC issue new regulations, guidelines and institutional setups to facilitate project implementation;
  - e) Help the Project Director maintain contacts with the different implementing agencies, donors projects, central level institutions and the other programmes/projects in the provinces and ensure that they are well informed about this project's progress, best practices and the areas where there are opportunities for cooperation, linkages and knowledge sharing;
  - f) If his/her skills allow, to take responsibility for overseeing some of the key aspects of project implementation.

### **Qualification**

5. The incumbent will be a senior expert with experience in project management and a broad understanding of development, the role and importance of markets and a commitment to private sector development, decentralization and participation of the poor.



## **Project Monitoring and Evaluation Officer**

1. The Monitoring and Evaluation (M&E) system at the project level has four objectives: (i) to monitor and evaluate results and impacts; (ii) to provide a basis for decision making on necessary amendments and improvements; (iii) to promote accountability for resource use; and (iv) to document, provide feedback on, and disseminate lessons learned.
2. Project monitoring and evaluation is conducted in accordance with established IFAD procedures and is undertaken by the project management team at all levels. The Logical Framework matrix provides performance and impact indicators for project implementation along with their corresponding means of verification. These, along with the objectives, procedures and tools described in the M&E plan presented in the project appraisal report will form the basis on which the project's M&E system will be built at the starting phase of the project.

## **General scope of the job**

3. The M&E officer is responsible for guiding the overall M&E strategy and implementation of related activities within the project and Vis a Vis partners, plus providing timely and relevant information to the Project Director, PCU and project stakeholders. This requires close coordination and communication with the Province Line Agencies, DPCs, CPCs, project stakeholder groups, and field staff as well as consultants of external M&E-related missions.
4. Critical tasks for the M&E officer(s) include setting up the M&E system and ensuring it is implemented efficiently and effectively. The M&E system will be based on the project log-frame and the project M&E plan and will build as much as possible upon existing M&E mechanisms and systems among the project stakeholders. The M&E officer will report directly to the Project Director

## **Main tasks and responsibilities**

5. *Setting up the M&E system.*
  - a) Develop the overall framework for project M&E in accordance to the project document M&E plan;
  - b) Conduct a readiness assessment regarding M&E on what are the incentives at the system level, who are the beneficiaries;
  - c) Guide and coordinate the review of the project log-frame including:
    - i. Provide technical advice for the revision of performance indicators;
    - ii. Ensure realistic intermediate and end-of-project targets are defined;
    - iii. Conduct a baseline study (situation at project start);
    - iv. Identify sources of data, collection methods, who collects data, how often, cost of collection and who analyzes it;
    - v. Ensure all critical risks are identified.
  - d) Identify the core information needs of PCU, the Project Steering Committee, IFAD and the Ministry of Planning and Investment;
  - e) Identify the requirements for collecting baseline data, prepare terms-of-reference for and arrange the conduct of a baseline survey, as required;
  - f) Clarify M&E responsibilities of different project personnel;
  - g) Contribute to the development of the Annual Work Plan and Budget (AWPB), ensuring alignment with project strategy, agreement on annual targets and inclusion of M&E activities in the work plan;
  - h) Prepare detailed M&E budget;
  - i) Prepare calendar of M&E activities;

- j) Identify M&E technical assistance that the project needs to contract and guide its recruitment.

#### 6. Implementation of the M&E system

- a) Oversee and execute M&E activities included in the AWPB, with particular focus on results and impacts as well as in lesson learning;
- b) Based on the AWPB design the framework for the physical and process monitoring of project activities;
- c) Promote a results-based approach to monitoring and evaluation, emphasizing results and impacts;
- d) Coordinate the preparation of all project reports. Guide staff and executing partners in preparing their progress reports in accordance with approved reporting formats and ensure their timely submission. This includes quarterly progress reports, annual project report, inception report, and ad-hoc technical reports;
- e) Prepare consolidated progress reports for project management including identification of problems, causes of potential bottlenecks in project implementation, and providing specific recommendations;
- f) Check that monitoring data are discussed in the appropriate forum (such as the review meetings of PCU, the quarterly meeting of the Project Steering Committee) and in a timely fashion in terms of implications for future action. If necessary, create such discussion forums to fill any gaps;
- g) Undertake regular visits to the field to support implementation of M&E and to identify where consolidations might be needed;
- h) Foster participatory planning and monitoring by training and involving primary stakeholder groups in the M&E of activities;
- i) Prepare M&E reports for annual supervision missions, mid-term review and final evaluation in accordance to IFAD guidance;
- j) Facilitate, act as resource person, and join if required any external supervision and evaluation missions;
- k) Monitor the follow up of evaluation recommendations;
- l) Identify the need and draw up the TORs for specific project studies. Recruit, guide and supervise consultants or organizations that are contracted to implement special surveys and studies required for evaluating project outcomes and impacts;
- m) Organize (and provide) refresher training in M&E for project and implementing partner staff, local organizations and primary stakeholders with view of developing local M&E capacity;

#### 7. Acting as Knowledge Management Officer

- a) Design and implement a system to identify, analyze, document and disseminate lessons learned;
- b) Consolidate a culture of lessons learning involving all project staff and allocate specific responsibilities;
- c) Ensure that TORs for consultants recruited by the project also incorporate mechanisms to capture and share lessons learned through their inputs to the project, and to ensure that the results are reflected in the reporting system described above;
- d) Document, package and disseminate lessons frequently and not less than once every three months;
- e) Facilitate exchange of experiences by supporting and coordinating project participation in workshops and development of IFAD Vietnam website and any other existing network of local government and IFAD programme and projects;

- f) Identify and participate in additional networks, for example scientific or policy-based networks that may also yield lessons that can benefit project implementation.

**Qualifications and experience required**

- 8. Suitable candidates should have a degree in a field related to development and/or management, experience in field research and statistics and at least several years of proven experience with:

- a) The logical framework approach and other strategic planning approaches;
- b) M&E methods and approaches (including quantitative, qualitative and participatory);
- c) Planning, design and implementation of M&E systems;
- d) Training in M&E development and implementation and/or facilitating learning-oriented analysis sessions of M&E data with multiple stakeholders;
- e) Data and information analysis;
- f) Report writing.

S/He should also have:

- a) A solid understanding of public policies, development approaches with a focus on participatory processes, market economy management, and gender issues;
- b) Familiarity with and a supportive attitude towards processes of strengthening local organizations and building local capacities for self-management;
- c) Willingness to undertake regular field visits and interact with different stakeholders, especially primary stakeholders;
- d) Experience in data processing and with computers;
- e) Leadership qualities, personnel and team management (including mediation and conflict resolution);
- f) English language skills preferred.

Desirable:

- a) Knowledge of the focal area in which the project operates;
- b) Understanding of IFAD procedures/

## **CC Adaptation Participatory Coordinator**

### **General**

1. In each participating Province, Government will employ or second a staff member to be the CC Adaptation Coordinator (CCAC) within the PCU. He/she will be responsible for managing activities related to the coordination of CC planning and investment and in assisting drafting the CC aspects of the project AWPB.

### **Reporting**

2. The CCAC will report to the Project Director of the PCU.

### **Responsibilities**

3. The incumbent will be responsible to act as a crucial link within each PCU (between the different specialists), as well as with implementing agencies and with the PCU and PSC for the other province. This would enable a more holistic understanding for project staff and stakeholders on environmental and climatic risks in agricultural systems (e.g. climate modelling; economic analysis; adaptive engineering; flood/drought resistant crops). Specifically, he/she will:
  - a) Be responsible for leading initiatives to develop effective engagement with other relevant agencies such as the GEF and UNDP as well as with other projects providing CC adaptation in the region;
  - b) Be responsible for building of linkages to relevant institutions (e.g. between MARD and the Hydro-meteorology Department) to improve access to available climate risk information and technology.
  - c) Assist the DPI to ensure that there is a consistent and effective process for planning and implementation of CC adaptation, and that there is actually a sustainable benefit accruing to implementing communities and individuals.
  - d) Provide and/or organise training and mentoring for the support staff at the district and commune levels on CC adaptation within the SEDP planning process in the project target communes and districts.
  - e) Assist to incorporate the CC SEDPs of the project communes and districts into the project AWPB.
  - f) Coordinate all CC technical assistance inputs for the formulation of the planning and investment mechanisms and their replication and institutionalization in the provinces and the region.
  - g) Prepare and circulate various promotional material concerned with CC adaptation activities.
  - h) Ensure that participation of women and members of ethnic minorities in the commune/district CC SEDP planning process and that the gender equalities are mainstreamed in the implementation of the planning process.
  - i) Maintain a close planning and implementation link to the other officers in charge of the other project outcomes, and ensure that CC considerations are at the forefront of all project activities.
  - j) Monitor implementation of the CC adaptation activities of the project communes; analyze the M&E data and prepare regular progress reports to the Project Director, including proposals that aim at improving the implementation and impact of the activities.
  - k) Prepare regular and ad hoc reports on the progress of CC adaptation and the challenges and successes being achieved.

### **Qualification**

4. The incumbent will require 5 years' experience in working in a climate-change or physical geographical discipline related to rural development investment and planning activities. Experience in promotion of market-based participatory CC adaptation would be a distinct advantage, as would experience within or in close contact with rural private sector entities. SEDPs at the local level. The person would have formal university level qualifications in one or more of the physical sciences associated with environmental landscape management.

## **Market-based Participatory SEDP Planning Officer**

### **General**

1. In each participating Province, Government will employ or second a staff member to be the Market-based Participatory SEDP Planning Officer within the PCU. He/she will be responsible for managing activities related to the SEDP and drafting the project AWPB.

### **Reporting**

2. The Market-based Participatory SEDP Planning Officer will report to the Project Director of the PCU.

### **Responsibilities**

3. The incumbent will be responsible for all planning activities under the project including the project AWPB. He/she will be guiding the commune SEDP process in the project communes and ensuring that the bottom-up SEDPs are synthesized and consolidated at the district and province levels. Specifically, he/she will:
  - a) Be responsible for assisting the DPI in coordination of all concerned line agencies and the districts and communes to implement the activities of the project output 1.1 – SEDP.
  - b) Supervise the support staff at the district and commune levels and coordinate with the staff of General Planning Section under DPI to organize the SEDP planning process in the project target communes and districts.
  - c) Incorporate the SEDPs of the project communes and districts into the project AWPB; Assist the Project Director in drafting the AWPB and its revisions for the PSC and IFAD comments and endorsement.
  - d) Coordinate all technical assistance inputs for the formulation of the SEDP mechanism and its replication and institutionalization in the provinces and the region.
  - e) Ensure that participation of women and members of ethnic minorities in the commune/district SEDP planning process and that the gender equalities are mainstreamed in the implementation of the planning process.
  - f) Maintain a close planning and implementation link to the other officers in charge of the other project outcomes.
  - g) Monitor implementation of the SEDPs of the project communes; analyze the M&E data and prepare regular progress reports to the Project Director, including proposals that aim at improving the implementation and impact of the SEDP activities. and
  - h) Coordinate with the PCU Finance Manager to provide the technical support to the financial management and annual audits of the project commune accounts.

### **Qualification**

4. The incumbent will require 10 years' experience in coordinating rural development planning activities, including the experience in promotion of market-based participatory SEDPs at the local level. A staff person seconded from the DPI or the finance/planning section at the DPC will be preferred.

### **Market and Value Chain Development Officer**

1. In each PCU the project will employ a Market and Value Chain Development (MVCD) Service Officer who will be directly responsible for managing project activities under the Outcome 1 – Market and Value Chain Development. S/he could be seconded from the regular government service. In the likely absence of suitable candidates among government officers, however, the position will be filled by contracting a suitable candidate (recruitment through open advertisements).

### **Duration**

2. The position will be for the full 5-year project period. The contracted incumbent will be recruited for 3 years renewable for another 2 years.

### **Reporting**

3. The MVCD Officer will report to the Project Director.

### **Responsibilities**

4. The MVCD Officer will be responsible for facilitating the implementation of the first outcome – Market and Value Chain Development. In particular, he/she will:
  - a) Coordinate all implementation activities of the project outcome, including their timely inclusion in the Annual Work Plan and Budget (AWPB).
  - b) Coordinate the overall approach, work plan and all technical assistance inputs for the outcome with the international and national technical advisers.
  - c) Identify technical assistance institutions or consultants for development of market and value chain tools and training materials.
  - d) Identify technical assistance institutions or consultants for conduct of pro-poor market and value chain studies.
  - e) Organize the value chain validation workshops and support for private sector implementation of the pro-poor market and value chain development plans.
  - f) Ensure that all project outcomes – value chain development, forest land ownership, climate smart agriculture, credit and public and PPP infrastructure are holistically integrated to support value chain development.
  - g) Identify private sector investors and facilitate approval of the associated market or value chain development plans by the PPC.
  - h) Assist the private sector investors in implementation of the pro-poor market and value chain development including coordination with concerned line agencies and technical service providers.
  - i) Support and facilitate the provision of direct financial and business development service for all project-supported market and value chain development activities.
  - j) Maintain the project M&E system with regards to the outcomes and impacts of market and value chain development to the poor.
  - k) Facilitate case studies and documentation of good practices in the pro-poor markets and value chains.

### **Qualification**

5. The incumbent will have sound knowledge of private sector and pro-poor market development, in particular of the agriculture market and value chain approach. He/she will have good knowledge of regional private sector companies and financial institutions, especially in the agro-business industry. S/he should also have a sound background and experience in business development and vocational training. Good command of the English language will be an additional asset.

## **Rural Finance Specialist**

1. In each PCU the project will employ a Rural Finance Specialist who will be directly responsible for managing project activities under Outcome 2 – Rural Financial Services Strengthened. S/he could be seconded from the finance service institutions. In the likely absence of suitable candidates among the local bank and mass organization officers, however, the position will be filled by recruitment through open advertisements.

### **Qualification and Experience:**

2. Rural Finance Specialist (RFP) will hold a university degree in Business Management, Economics, Social Sciences or other related field. S/he will have a minimum of 10 years of work experience in the financial sector issues, including preferably experience with community-based financial arrangements. The position will also entail demonstrated capacity to take on a leadership position with strong managerial skills, good analytical ability, good writing skills and capacity to manage people and interact with a wide range of private sector partners, public sector representatives and most significantly smallholder farmers in rural Viet Nam. Sensitivity to gender issues and previous experience of working with women's projects will be additional merits for the position, as well as oral and written communication skills in English.

### **Duration:**

3. The RFP will be recruited for an initial period of three years, renewable for another two years.

### **Reporting:**

4. The RFP will report to the Project Director of AMD.

### **Key Responsibilities:**

- a) Carry the overall responsibility for achieving the objectives, outcomes and targets identified for the Rural Finance Services outcome of AMD.
- b) Familiarise herself/himself in the AMD approach and in the activities to be undertaken as part of the outcome and ensure that the outcome is implemented as envisaged.
- c) Prepare the Annual Work Plan & Budgets for the outcome and ensure that all plans are properly designed, implemented and monitored according to specified deadlines and within the allocated budget.
- d) Develop project management guidelines, procedures and operating practices for project execution, proactively manage changes in project scope, identify potential constraints and devise contingency plans.
- e) Prepare contracts and bidding documents in accordance with IFAD and Government requirements for the competitive procurement of services under the outcome activities.
- f) Ensure gender mainstreaming in the outcome activities and track on a continuous basis the inclusion of women in the operations of the Rural Finance Services outcome.
- g) Establish together with the M&E Officer a system of monitoring and data management for the Rural Finance Services outcome.
- h) Identify how best to use the Technical Assistance budgeted for this outcome and to develop the TOR and most appropriate time schedules for the use of this assistance.
- i) Provide support to Supervision and Implementation Support Missions and the MTR and ensure compliance with their recommendations for the Rural Finance Services outcome.
- j) Carry out any other task as requested by the Project Manager.



### **Rural Finance Officer**

1. In each PCU the project will employ a Rural Finance Officer who will report to the Rural Finance Specialist under the Outcome 2 – Rural Financial Services Strengthened.

#### **Qualification and Experience:**

2. Rural Finance Officer (RFO) will hold a university or collage degree in Business Management, Economics, Social Sciences or other related field. S/he will have a minimum of 5 years of work experience in the financial sector issues, including experience with community-based financial arrangements. The position will also entail demonstrated capacity in the planning and follow-up of project activities, good analytical ability and writing skills, and capacity to interact with a wide range of private sector partners, public sector representatives and most significantly smallholder farmers in rural Viet Nam. Sensitivity to gender issues and previous experience of working with women's projects will be additional merits for the position, as well as oral and written communication skills in English.

#### **Duration:**

3. The RFO will be recruited for an initial period of three years, renewable for another two years.

#### **Reporting:**

4. The RFO will report to the Rural Finance Specialist of AMD.

#### **Key Responsibilities:**

- a) Assist the RFS in achieving the objectives, outcomes and targets identified for the Rural Finance Services outcome.
- b) Familiarise herself/himself in the AMD approach and in the activities to be undertaken as part of the Rural Finance Services outcome.
- c) Assist in preparing the Annual Work Plan & Budget for the outcome and ensure that all plans are properly designed, implemented and monitored according to specified deadlines and within the allocated budgets.
- d) Assist the RFS to prepare contracts and bidding documents in accordance with IFAD and Government requirements for the competitive procurement of services for the outcome.
- e) Ensure gender mainstreaming in the outcome activities and track on a continuous basis the inclusion of women in the operations of the Rural Finance Services outcome.
- f) Work closely with the RFS and the M&E Specialist in establishing and operating of a monitoring, evaluation and knowledge management system for the outcome.
- g) Support the Supervision and Implementation Support Missions and the MTR and ensure compliance with their recommendations for the Rural Finance Services outcome.
- h) Carry out any other task determined by the Project Director and the RFS.

## **Head of Finance and Administration**

### **General**

1. In each participating Province, Government will employ a Head of Finance and Administration Officer. S/he could be seconded from the regular government service.

### **Reporting**

2. The Head of Finance and Administration will report to the Director of the PPCU.

### **Responsibilities**

3. S/he will be responsible for day-to-day administrative and financial management of the programme. In particular, s/he will:
  - a) Manage the PCU office, including ensuring that office and communications equipment is in place and functioning.
  - b) Oversee the establishment of an acceptable computerized bookkeeping and accounting system and supervise the accounts/book keeping staff.
  - c) Provide monthly financial reports to the Project Director, indicating financial performance of the project compared with the annual work plan and budget;
  - d) Organize and oversee tendering and procurement.
  - e) Undertake financial management of contracts entered into by the project.
  - f) Be responsible for the preparation of disbursement requests from IFAD, including the submission of all required documentation.
  - g) Be responsible for compiling the consolidated AWPB, incorporating the inputs of other PCU officers.
  - h) Arrange for annual audits to be commissioned in a timely manner.

### **Qualification**

4. S/he will be a qualified accountant or an administrator having strong public accountancy experience. S/he should have sound experience in financial management, preferably with internationally-funded development projects. Good organisational skills and an understanding of office technology will also be necessary. A good command of the English language will be an important asset.

These results attest to the capacity of the District staff and the quality of their coaching services as well as of the intensive training conducted by the project staff.

- 4 At the same time, experience from the prior projects has also indicated some areas where adjustments and/or strengthening under the new project are desirable. These include:
- a) A strong focus on training in planning skills and tools, especially for collection of information from participatory processes at local-levels, is desirable.
  - b) For full integration into the SEDP process of the market-orientation in Ben Tre and for integration of climate change vulnerability and risk – both for climate proofing of value chains and commune SEDP – the planning cycles must be compatible with the SEDP planning processes that finalize at the end of June at the District-levels and mid-July at the commune-levels.
  - c) Decentralized and participatory M&E processes that require tracking of a significant number of indicators does not function well or efficiently with part-time commune M&E staff. Either the monitoring must be simplified at this level or more full-time staff is required, including at the District-level for quality control (field checking/validation). Instead on one planning/M&E person at the District, two would be required (one for planning and one for M&E).
  - d) PCU M&E staff require advanced training on alternative methodologies (e.g., case studies, intensive interviews, others) and basic training on the livelihoods of rural households and the business operations of SMEs in the target areas in order to improve the accuracy of surveys and monitoring.
  - e) The Annual Outcome Survey (AOS) should be conducted on mid-year basis (from May to July) so that the results can be used in the development of the subsequent annual work plan.
  - f) The AOS cannot capture impacts in a detailed and comprehensive way. If resources allow, it is advisable to complement the AOS with qualitative instruments, targeted to priority themes/issues. For example, case studies to assess the impact of vocational training or Most Significant Changes and photo book tools to measure impact of newly constructed rural infrastructure.

### **Planning and Monitoring & Evaluation**

- 5 The Planning and Monitoring & Evaluation system (P/M&E) will consist of the following subsystems:
- a) The linked Annual Work Program & Budget (AWPB) and annual SEDP planning subsystem, which uses as inputs the logical framework, operational plans, participatory assessments and socioeconomic development plans for the development of participating communities and organizations, and the project's exit strategy/plans for sustaining advances and outcomes after closing;
  - b) The monitoring subsystem, which will manage periodic reports, reports of field visits, progress reports, monthly meetings of the different project implementation units, specific reports and information generated during supervision missions, and joint reviews of IFAD and the Government;
  - c) The evaluation subsystem, which is based on the baseline study and impact indicators (RIMS), internal and/or external evaluation reports and studies on project outcomes and impacts, and the project completion report and;
  - d) The learning subsystem, consisting of a systematic process oriented toward collective reflection by the project actors on the experiences during the implementation of the project in order to refine project methodologies and approaches, exchange learning and knowledge, and generate new knowledge.
- 6 The table below provides a brief summary of the system.

**Table 1. Principal elements of project planning, M&E, and learning system**

Component/ Subcomponent/ Principal Activities	Planning	M&E	Learning
<b>Component 1: Building Awareness and Capacity for Climate Change Adaptation</b>			
<i>Sub-Component 1.1 Community-based &amp; applied research &amp; dissemination for climate change adaptation in agriculture</i>			
<ul style="list-style-type: none"> <li>Adaptive/applied research, studies and surveys</li> <li>Field demos of applicable techniques</li> </ul>	<ol style="list-style-type: none"> <li>1) Formation Adaptation TAG (A-TAG)</li> <li>2) Research/demo. agenda development, updated as necessary</li> <li>3) AWPB process</li> </ol>	<ol style="list-style-type: none"> <li>1) Logframe &amp; progress reporting (quarterly/ annual/ final)</li> <li>2) A-TAG &amp; reference group reviews (bi-annual, final)</li> <li>3) Independent, final evaluations</li> <li>4) Salinity monitoring system</li> </ol>	<ol style="list-style-type: none"> <li>1) Prioritization study &amp; workshop</li> <li>2) Formation of end-user reference/stakeholder groups</li> <li>3) Systematization of results of principal activities.</li> <li>4) Dissemination: learning series, technical guideline manuals, ToT, technical training, learning events, web-based publications, international adaptation knowledge platforms/networks<sup>1</sup>.</li> <li>5) Salinity monitoring SMS subscriptions &amp; web-based</li> </ol>
<i>Sub-Component 1.2 Master plans, SEDP &amp; policy development</i>			
<ul style="list-style-type: none"> <li>Climate change-integrated Master Plans and SEDP</li> </ul>	<ol style="list-style-type: none"> <li>1) Formation DPI/CC-SEDP TAG</li> <li>2) SEDP 2016-20 (master plan)</li> <li>3) Annual SEDP</li> <li>4) AWPB process</li> </ol>	<ol style="list-style-type: none"> <li>1) Baseline, Midterm Review, Completion evaluations</li> <li>2) Annual Outcome Surveys</li> <li>3) Logframe &amp; progress reporting (quarterly/ annual/ final)</li> <li>4) Commune/District-level participatory M&amp;E system (Level 1 and 2 indicators)</li> </ol>	<ol style="list-style-type: none"> <li>1) SEDP 2016-20: DARD/DoNRE/DPI studies &amp; reviews to update of provincial CC Action Plans; CC integration in priority sub-sectoral master plans; dissemination - learning events, web-based publication, international adaptation knowledge platforms/networks</li> <li>2) Annual SEDP: develop, test &amp; validate CC-SEDP (CBDRM &amp; value chain climate proofing tool); systematization results; dissemination (as above)</li> <li>3) Project review workshops (Yrs. 1, 2, 4) w/key stakeholders</li> <li>4) Cross-visits (within/between Provinces)</li> </ol>
<ul style="list-style-type: none"> <li>Policy Development and Engagement</li> </ul>	<ol style="list-style-type: none"> <li>1) Formation of CC Policy TAG (P-TAG)</li> <li>2) Formation/ strengthening Provincial CC Office</li> <li>3) Agenda development by Provincial CC Steering Committee, updated annually</li> <li>4) AWPB process</li> </ol>	<ol style="list-style-type: none"> <li>1) Logframe &amp; progress reporting (quarterly/ annual/ final)</li> <li>2) P-TAG reports (on progress of specific tasks)</li> <li>3) Progress reports prepared for annual forums (provincial &amp; inter-provincial) &amp; Minutes from forums.</li> </ol>	<ol style="list-style-type: none"> <li>1) CC policy dialogue &amp; coordination forums: Inter-provincial forum (annual), Provincial CC Steering Committee Stakeholder Forum (annual)</li> <li>2) Information/Communications: website (CC-related policies/directives/guidelines/action plans; CC adaptation/mitigation projects/programs/investment database; studies/analysis); links to international adaptation knowledge platforms/networks.</li> <li>3) Policy-relevant analysis/studies; Policy advisory briefs (occasional); newsletters (quarterly) on CC adaptation experience &amp; learning.</li> <li>4) Study tours/field trips.</li> </ol>
<b>Component 2: Investing in climate change adaptation for vulnerable rural communities</b>			
<i>Sub-Component 2.1 Investments to implement Climate Smart SEDPs</i>			
<ul style="list-style-type: none"> <li>Capacity Development and Skills Training</li> <li>Pro-poor Public Investment</li> </ul>	<ol style="list-style-type: none"> <li>1) Annual SEDP</li> <li>2) AWPB process</li> </ol>	<ol style="list-style-type: none"> <li>1) Baseline, Midterm Review, Completion evaluations</li> <li>2) Annual Outcome Surveys</li> <li>3) Logframe &amp; progress reporting (quarterly/ annual/ final)</li> <li>4) Commune/District-level participatory M&amp;E system (Level 1 and 2 indicators)</li> <li>5) Longitudinal study of on-going adaptation behaviour among reference producer groups</li> </ol>	<ol style="list-style-type: none"> <li>1) Systematization of results</li> <li>2) Dissemination: learning series, technical guideline manuals, ToT, technical training, learning events, web-based publications, international adaptation knowledge platforms/networks.</li> <li>3) Project review workshops (Yrs. 1, 2, 4) w/key stakeholders</li> <li>4) Cross-visits (within/between Provinces)</li> </ol>
<i>Sub-Component 2.2 Financing climate change adaptation</i>			
<ul style="list-style-type: none"> <li>Credit and Finance Facilities for the Rural Poor</li> <li>PPP Fund for SMEs and CIGs, Cooperatives</li> </ul>	Same as above	Same as above	Same as above

<sup>1</sup> – For example, see

[http://unfccc.int/adaptation/nairobi\\_work\\_programme/knowledge\\_resources\\_and\\_publications/items/5135.php](http://unfccc.int/adaptation/nairobi_work_programme/knowledge_resources_and_publications/items/5135.php)

- 7 Logical framework. A principal guide for the implementation and monitoring of the project will be the logical framework. The logical framework will be refined during the first year of implementation (2014), as part of the project initiation activities. This will serve both to better ground the logical framework within the local context as well as to promote ownership by the project team. In addition, the logical framework, targets and indicators will be reviewed thoroughly during the midterm evaluation of the project and, if necessary, updated annually as part of the adaptive learning process based in the monitoring of the project's implementation. The objective of having an ongoing review of the logical framework is to encourage its use as a tool for project management. Also the use of the logical framework should assist the project team to work more coherently towards the same goals and structure of results and impacts, while providing project management with a tool for ensuring project's alignment with the strategic priorities for climate change adaptation and poverty reduction embodied in design and in accordance with national and provincial policies, strategies and programs.
- 8 Alignment with national priorities. To ensure alignment and harmonization of the project with national priorities as per the agreements between the Government of Viet Nam (GoVN) and IFAD embodied in the Country strategic opportunities programme (COSOP) for 2012-2017, the project incorporates into design and the logical framework some of the targets for:
  - a) The NTP-NRD, specifically by (i) supporting the development of market options to help realize the new rural areas, (ii) creating the needed mindset change at the household level, and (iii) building capacity to carry out the envisaged commune planning activities.
  - b) The NTP-RCC for 2009-2015, specifically by supporting (i) climate change awareness enhancement and human resources training; (ii) development and implementation of action plans to respond to climate change (including mainstreaming climate change issues into the SEDP development and implementation processes at the Commune, District and Provincial-levels) and; (iii) the development and implementation of science and technology programs on climate change in areas of adaptive research and development of policy and technology relevant to IFAD's target group (rural poor, ethnic minorities, women and youth).
  - c) MARD's Action Plan Framework for Adaptation to Climate Change in the Agriculture and Rural Development Sector by supporting (i) the development of small-scale, protective infrastructure (e.g., dykes) identified in the commune-level SEDPs; (ii) productive and livelihood-enhancing infrastructure; (iii) building capacity to adapt to climate change and improve livelihoods; (iv) support for adaptation to climate change in key rice production areas and; (v) support to agricultural research for pro-poor adaptation for climate change.
- 9 Also, as an outcome from the COSOP process, Viet Nam has been given access to first round grant financing from the Adaptation for Smallholder Agriculture Program's (ASAP). This program was launched by IFAD in 2012 to channel climate and environmental finance to smallholder farmers so that they can increase their resilience. A multi-year and multi-donor program, its objective is to improve the climate resilience of large-scale rural development programs and improve the capacity of smallholder farmers to expand their options in a rapidly changing environment. As a reference for future discussions on the logical framework, Table 2 (below) presents the ASAP's ten key indicators, some outcomes of which have been incorporated into the current logframe.
- 10 Planning. Project implementation will require the articulation of various public institutions (government and line agencies), private entities, people's and communities' organizations and groups. The annual planning processes is the means by which this articulation must be achieved and as such requires building consensus around common objectives, constant communication and a flexible decision-making structure. The two principal planning processes are the annual socioeconomic development planning (SEDP) and the annual work program and budget planning.
- 11 SEDP. The SEDP is the principal planning process and instrument that government utilizes to orient all public financing of relevance for the ARD sector. Through mainstreaming into the SEDP, the potential exists to institutionalize pro-poor, climate smart development approaches and see them replicated across the country. The integration of concerns for climate change into the SEDP process

are goals of the National Climate Change Strategy and the National Target Program for Response to Climate Change. As yet, however, no official directives or guidelines from either MPI or MoNRE have been promulgated to guide the provincial DPIs in doing so. This is not a limitation. Rather, it is an opportunity for proactive engagement by the project to assist both national and provincial government to learn and develop an appropriate approach.

- 12 As discussed above, IFAD-supported projects have developed significant experience with the SEDP process and the institutionalization of improved participatory approaches, introduction of a market-orientation into local development planning and for climate proofing of value chains important to the rural poor. The challenge for this project will be to build upon and continue to strengthen the market-orientation and value chain climate proofing developed under prior projects while developing new tools and methodologies for integration of climate change concerns into the SEDP process.
- 13 *In the first instance, the implementation plan for Viet Nam's National Strategy For Natural Disaster Prevention, Response and Mitigation to 2020* includes a series of actions that offer an opportunity to bring together community-level disaster risk management/vulnerability reduction and climate change response. Specifically, the Community-based Disaster Risk Management (CBDRM) Action Plan<sup>58</sup> calls for:
  - a) Capacity building on CBDRM for communities, including: form CBDRM community-selected working groups in communities; developing participatory community-level hazard and vulnerability maps; develop annual community-level plans on disaster prevention, response and management, including climate change concerns; annual updating of hazard and vulnerability maps and community monitoring of annual implementation of activities and; small-scale works for disaster prevention, response and management in the community.
  - b) Capacity building for local government staff at all levels on managing and implementing CBDRM activities, comprising among others, training courses on CBDRM policy, mechanisms and implementation guidance for trainers, agencies, and local staff; training of CBDRM trainers and; capacity building programs on CBDRM for local authorities.
- 14 MARD's Disaster Management Center (DMC) is charged with coordination of the CBDRM program and is responsible for development and implementation of the training and capacity building programs. The DMC has an initial plan for SEDP integration, as well as first generation guidelines, training materials and several hundred trainers in the Mekong region now trained in CBDRM approaches. The People's Committees are responsible for the local planning and hazard/vulnerability mapping.
- 15 The tools offered by the CBDRM provide a much-needed but missing element for local planning for sustainable economic development and natural resources use: land use planning that goes beyond (primarily top-down) zoning for production purposes to an exercise that can engage local communities to develop their vision of sustainable land use that incorporates development potential based on land, technology, available capital and risks and vulnerabilities. This is one of the principal elements through which climate change risks and concerns can be incorporated into local planning and the SEDP process; i.e., local land use planning with CBDRM hazard mapping for vulnerability reduction, disaster risk management and orientation of public investments for climate proofing, reducing vulnerability, and increasing resilience and capacity for adaptation.
- 16 The CBDRM approach is still largely new and untested. It would be a role of the project to support its refinement, testing, and piloting. One strong advantage of the CBDRM is that it already has approved policies, supporting Directives (e.g., Directive 1002) and an NTP for its implementation. MARD is also aware that the approach requires refinement and testing and that this includes close collaboration and knowledge sharing with other projects that are more advanced in the testing of such tools (e.g., OXFAM's "Participatory Vulnerable Capacity Analysis" or PVCA approach). The project can provide

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58 <http://www.ccfsc.gov.vn/resources/users/6D696775656C/Annex%20II%20CBDRM%20action%20plan.pdf>

for capturing “learning from the field” from these diverse sources in order to make the refinement process more efficient.

- 17** The preliminary framework for integration of climate change concerns into SEDP planning – development, testing, validation and piloting of methodologies and instruments – includes:
- a) Commune-level: (i) participatory community vulnerability mapping (natural disaster, salinization, CC, etc.); (ii) scenario development; (iii) application of mapping in production and investment (SEDP) planning, including identification of BMPs; (iv) joint NTP-NRD planning in communes where project and NTP-NRD overlap; (iv) linkage of village level planning and BMPs with commune-level zoning for vulnerability, risk, current and projected climate change impacts to 2030; and (v) SEDP planning and prioritization
  - b) Value chains: adaptation and replication of Tra Vinh climate proofing tool;
  - c) District-level: aggregation of commune-level vulnerability zoning into district-level zoning tool for SEDP (incl. NTP-NRD & NTP-RCC) planning & prioritization;
  - d) Province-level: (i) DARD, DoNRE, and DPI collaboration on development and testing of commune and district methodologies for vulnerability mapping, zoning, and integration into annual SEDP (incl. NTP-NRD & NTP-RCC); (ii) DARD/DoNRE update provincial-level Climate Change Action Plans, DARD updates priority subsectoral master plans to incorporate climate change concerns and, both incorporate priorities into their sectoral 2016-2020 SEDPs with scenario building for 2010, 2020, 2050 and 2070 and; DPI integrates DoNRE/DARD sectoral climate change priorities into provincial 2016-2020 SEDP.
- 18** Annual Work Program and Budget (AWPB). The AWPB details on an annual basis the expected results of the project at the level of the first-level indicators (e.g., the number of people expected to participate in project-sponsored training initiatives, number of farmers adopting new saline tolerant crop varieties, etc.). It is both the main information source for project results and a principal tool for orienting and coordinating the actions of the diverse institutions and actors responsible to deliver products and services to the target beneficiaries. Its annual content is informed by the outputs from the participatory SEDP planning processes, the results from the evaluation of the prior year’s implementation, and the project’s overall goals and expected outcomes and impacts.
- 19** Two innovations are proposed to strengthen the AWPB (and, to some extent, the SEDP) process in terms of its technical quality, institutional alignment and to enhance coordination among the implementation partners. These are:
- a) Thematic Ad-hoc Groups (TAG) – the TAG mechanism has been used successfully by MARD at the national-level. Comprised of senior and knowledgeable technical staff from among key stakeholder groups, the TAG is a flexible, temporary mechanism for organizing effective discussion; providing technical accompaniment and oversight to technical studies, evaluations, research and analysis; strengthening technical coordination and; providing useful and timely recommendations to policy-makers. Separate TAGs should be established under the project for purposes of (i) development and implementation of the research and field demonstrations (Component 1.1); (ii) integration of climate change concerns into the SEDP process; and (iii) for implementation of the policy development agenda of providing decision-makers with relevant analysis, studies and recommendations. The TAGs would play key roles in the identification and prioritization of activities to be financed through the AWPB.
  - b) AWPB Coordination Subcommittee of the Project Steering Committee – joint budgeting exercises are essential for purposes of institutionalization and integration of project activities into the line agencies own annual work programs. It is a truism that institutions will only prioritize what they are held accountable for accomplishing; the details of which are contained in the institutions’ own annual work program. The Subcommittee would comprise the heads of the agencies (e.g., DPI, MARD, MoNRE, Science and

Technology) or their representatives, along with the PCU Director. The subcommittee would collaborate and coordinate the preparation of each of the institutions' annual work programs within the scope of the project and the project's AWPB. This would ensure each institution was fully informed and prepared to execute its role within the project in a timely fashion as well as more effectively aligning project investments with agency needs to implement its mandate and agenda (e.g., training and capacity building resources).

- 20 The basis for investment planning at the community level will be derived directly from the existing SEDP process, which will initiate the preparation of investment plans for the public sector. Communes will inform/channel potential private investor's opportunities for investment support under the project, and prepare estimates for private sector activity financed by the project. The specialist PCU staff (CC Adaptation Coordinator (CCAC), the Market Development Officer (MDO) and the SEDP planning officer (PO)) will ensure that this commune-based planning process is genuinely representative and inclusive, as well as being consistent with AMD rules and policies. These PCU officers will provide supervision to the support staff at the district and commune levels and coordinate with the staff of the General Planning Section under the DPI to organize the SEDP planning process in the project target communes and districts.
- 21 The commune plans will be consolidated at District level, using the support of the CCAC, MDO and the SEDP PO, as well as staff of the District and relevant line agencies.
- 22 In the first year, the PCUs will also provide and coordinate training workshops on the project strategy and approaches, AWPB and procurement for key stakeholders. Specifically included in this would be the strategy and approach for financing CC adaptation. This will ensure an accurate and shared understanding of the project strategy and information needs.
- 23 The SEDP PO, working with the PCU Director and other PCU staff, will incorporate the SEDPs of the project communes and districts into the project AWPB. They will then assist the Project Director in drafting the AWPB and its revisions for the PSC consideration and IFAD comments and endorsement.
- 24 The PCUs will be responsible for the generation of plans not directly derived from the SEDP process. This will include provision of specialist support and other specialist training, including for climate smart agriculture, under Outcome 1, various forms of Technical Assistance under Outcome 2, and the requirements for Project Management. The consolidated AWPB will reflect both the previous year's achievements and performance and anticipated Project progress. The PCUs will be able to obtain guidance from the IFAD country office during the process of AWPB formulation as required. They will also ensure coordination between other government agencies and externally financed Projects in the Project area.
- 25 The draft AWPBs will include a procurement plan (an initial eighteen-month plan and then twelve-month plans for subsequent years), a detailed description of planned AMD activities, and the sources and use of funds. The Project Director in each province will be ultimately responsible for preparing the draft AWPBs in an accurate and timely manner.
- 26 The draft AWPBs for each province will be submitted to their PSC for its review and approval. The approved draft AWPB will then be transmitted to IFAD for comments and no objection no later than sixty days before the beginning of the relevant Project year. An Annual Stakeholder Review and Planning Workshops at which Annual Performance Report findings and management implications will be discussed will support the AWPB preparation process.

#### **Monitoring and evaluation.**

- 27 The objective for project Monitoring and Evaluation (M&E) will be the on-going real-time assessment of the processes employed in project activities as well as their outcomes, outputs and impact with respect to development goals and objectives. 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, replicability, lessons learned, and knowledge up-take, all within the context of the requirements for successful CC adaptation. The M&E system will cover both the operational and financial aspects of the Project.

- 28 The M&E system will be (i) consistent with IFAD requirements (RIMS); (ii) facilitate near-real time learning in support of evolutionary design, and (iii) apply participatory approaches to collect, manage and analyse M&E data and report on outcomes and impacts. No significant issues with development of the system are foreseen as the prior projects have already substantially developed a successful M&E system and it is expected that the M&E staff from the prior projects will carry over to the new project. Design differences between the two projects will require adjustments of indicators, survey instruments, training and capacity building inputs, etc., however those are technical, rather than substantive issues.
- 29 The Project M&E system will be designed to track and verify the levels of achievement of project outputs, the associated outcomes, and the success in achieving the project objective and its development goal. These levels are all causally connected as set out in the project Logical Framework. To a large extent, the M&E system will be participatory, involving the supported communes in data collection and management. The Knowledge Management Unit will assist the Project Coordination Units in the data management in a standardised system, keep a central system to compile overall monitoring and evaluation information, and conduct studies to measure overall impacts.
- 30 The Strategic Management Section under the PCU will be in charge of setting up and operating the management information system (MIS), establishing and ensuring the M&E function, reporting and Knowledge Management. The service should be staffed with two specialists who will be responsible for the operation of the M&E system, including its timely and accurate updating as well as the analysis of the data.
- 31 Adjustments to the M&E system will be made following the recommendations of the 2012 IFAD Country Program Evaluation that suggested that knowledge-sharing be strengthened by establishing a standardized, countrywide M&E system that would make it possible to follow up progress in implementing the results-based COSOP and fine-tune the evolving country strategy. To that end, DEPOCEN (a local partner) in collaboration with IFPRI and IFAD HQ, completed the “Manual Guide for IFAD Funded Projects in Vietnam”. The manual provides the IFAD partners in Vietnam with a knowledge guide and practices for M&E<sup>59</sup>.
- 32 Pilot work initiated under the Ben Tre DBRP project to assist the NTP-NRD Program will be continued. The DBRP is assisting the NRD to operate a pilot M&E system in five communes. That system is currently being transferred to DARD and the NTP-NRD Coordination office. The project would assist in expanding this to Tra Vinh and to replicate it in the other NTP-NRD communes where both the project and the NTP-NRD jointly operate. To the extent feasible, the project would rely upon NTP-NRD system for monitoring of the NRD indicators in the project logframe.
- 33 Because of project’s goals of assisting to define adaptation pathways and understanding how those may be successfully negotiated by smallholders and the rural poor, it is recommended (pending available resources) that a longitudinal (panel<sup>60</sup>) study be carried out during the entire life of project to monitor and assess ongoing adaptation among a reference group made up of a cross-section of households in the three impact zones (high salinity zone, transition zone, freshwater zone) in each Province. The study could be done jointly between the two provinces for cost-savings.
- 34 The reason for this recommendation is that unlike cross-sectional studies, in which different individuals with same characteristics are compared, longitudinal studies track the same people, thus making for more accurate observation of changes. The design would set out to identify the changes that climate change impacts and risks have produced in the behaviors and activities of those within

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59 [http://asia.ifad.org/c/document\\_library/get\\_file?uuid=90ee5cc9-0636-4a68-9f18-60305278981e&groupId=17191](http://asia.ifad.org/c/document_library/get_file?uuid=90ee5cc9-0636-4a68-9f18-60305278981e&groupId=17191))

60 Panel studies sample a cross-section, and survey it at (usually regular) intervals.

the target group and what factors have facilitated or impeded those changes. Because of the repeated observation at the individual level, this type of study should have more power than cross-sectional observational studies, by virtue of being able to exclude time-invariant unobserved individual differences<sup>61</sup> and allowing for observation of the temporal order of events.

#### **Management Information System (MIS):**

- 35 The project MIS will be established to provide a comprehensive system of data collection, analysis and exchange. It will bring together physical and financial records with the main purpose of informing management decisions on project matters. Quantitative measures of progress will be supplemented with qualitative information related to the acquisition of personal and shared skills, group behaviour changes, target groups' perception, awareness and attitudes. The MIS will be the sole channel of project monitoring material and form the basis of quarterly six-monthly and annual reports.
- 36 In order to ensure a single and compatible system is implemented, the MIS will be set up centrally at project start-up and refinements will be introduced in the light of experience during the first year. It will be based on the Logical Framework, which will be modified together with the MIS during implementation to adjust the project to changing circumstances. The preparation of reporting formats for use by implementing agencies, particularly the participating communes, districts, and other partners will be part of the overall design of the MIS.

#### **Monitoring:**

- 37 Monitoring will be an integral part of the project coordination role. All staff will be involved in strengthening project progress and performance monitoring in their particular areas of responsibility. A large part of the monitoring data will be collected and communicated by the participating communes.
- 38 The monitoring will provide quarterly, semi-annual and annual feedback on the extent to which the project is achieving its outputs, implementing the activities, identifying potential problems at an early stage and proposing possible solutions. The accessibility of the project to all sectors of the target population, as well as the technical and financial efficiency will be monitored and possible improvements suggested.
- 39 Monitoring indicators have been selected for each of the Project's outcomes as detailed in the second column of Logical Framework. Wherever relevant and possible, gender-specific data, ethnic minority status and poverty data as classified by Ministry of Labour Invalids and Social Affairs (MOLISA) will be collected. Monitoring will be directed to inform the indicators of project outputs and outcomes set out in the Logical Framework. The indicators listed in the second column of the Logical Framework have been selected bearing these requirements in mind.
- 40 Involving the target groups will ensure beneficiary participation in project monitoring and, when possible, women, in data collection in forms of individual interviews, focus group discussion or case studies.
- 41 Project training will be competency based. The performance of training activities will be monitored through pre and post training knowledge tests with a further test 6-12 months post training to determine knowledge retention and adoption. It will not be possible to monitor all training events at this level, however, random competency monitoring will be applied to all typologies of training events across the project life.

#### **Evaluation:**

- 42 Project evaluation will be initiated and managed by the Strategic Management Section in two major forms (i) impact evaluation and (ii) thematic evaluation. At the same time, the full reviews at mid-term and at the conclusion of the project will be conducted by IFAD and GoV. These two official reviews are the Mid-term Review (MTR) and Project Completion Review (PCR).
- 43 **Impact evaluation:** The impact will be measured from the baseline data at mid-term and at project end. The Baseline Survey will be undertaken shortly after project start-up to provide a platform of

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<sup>61</sup> For example, innate ability for individuals or historical/institutional factors

information from which the follow-on surveys could reveal changes in the households' livelihoods. Similarly, the Mid-term Survey and the Completion Survey will be carried out just before the MTR and towards the end of the project, timed so that their results will be available for the MTR and PCR. These follow-on surveys will be carried out in the same manner as the Baseline Survey. Ideally they will visit the same households so that developments in the course of project participation can be measured, and household members who have left the project area as a result of finding employment elsewhere will be captured as well. These three surveys will be carried out in conformity with IFAD's Results and Impact Management System (RIMS) reporting requirements (see below). They will use the standard RIMS questionnaire form to collect key beneficiary data including household assets and base data used to establish the prevalence of child malnutrition in participating households, with a few added questions to reflect project-specific impact data. The participating households will be randomly selected from the 20 communes that will make up those initially selected for CC adaptation investments in project year 1. The data will be processed by a simple custom software package to be provided by IFAD.

- 44 As the Project will be establishing investments using business principles and business plans, there is the opportunity to use data generated during the planning and operation of such investments to provide for impact assessment. The intention is that the pre-project baseline, the operational data (profit and loss, return on investment, returns to labour etc.) will provide the impact assessment at the micro-economic level. (See Monitoring Framework for detailed indicators).
- 45 The RIMS methodology will be modified to ensure capture of
- a) The degree of impact in terms of effective CC adaptation;
  - b) Changes in resilience at the household level;
  - c) the flow-on effects (jobs, knowledge, and transfer of technology) of project activities to households not directly impacted by the project; and,
  - d) the impact of changes in the external environment (macro-economic changes) that will impact on all households.
- 46 **Thematic studies:** The PCU Strategic Management Section will contract or carry out thematic impact studies that will look at the impact of activities under Project Outcomes. Such impact assessment will include an analysis of the effectiveness of:
- a) CC adaptation investments in producing stable, improved incomes for affected poor communities;
  - b) value chain development models,
  - c) the Public and Private Partnership in poverty reduction,
  - d) the impact of micro credits to women,
  - e) the effectiveness of collective economic models,
  - f) the effect of SME development on the availability of jobs for the poor, and,
  - g) the poverty impact of commodity-specific market support activities.
- 47 The topics for these thematic studies will be identified in consultation with the PCUs during project implementation taking into account the NTP-NRD policies. The Monitoring Framework provides the indicators, collection methods and the usage of the processed data.
- 48 **Mid-term Review and Completion Review:** IFAD and Government of Viet Nam will be responsible for carrying out two full reviews of the project achievements: the MTR during Project Year 3 and the completion review after Project completion. Key Questions to be answered during the reviews on the basis of the indicators contained in the Logical Framework will include:
- a) Have project investments enabled coherent planning for CC adaptation?
  - b) Has research and studies provided access to improved techniques for CC adaptation?
  - c) Has investment in CC adaptation successfully enabled poor communities to prosper under the effects of CC?
  - d) Has project targeting been successful?

- e) Has the Project assisted the underemployed in getting jobs and have rural marketing links been forged effectively?
- f) Does the Project have the expected financial service outreach?
- g) Has decentralised market-based planning been operated as an effective development tool?
- h) Has the Project contributed good examples to the national policies related to CC adaptation within a rural development project?
- i) How have changes in the external environment impacted on project beneficiaries?

- 49 Progress Reporting:** The PCUs will be in charge of preparing six monthly and annual project progress reports. The implementing agencies will be required to provide their progress reports as an input for PCUs to prepare the provincial reports that will be submitted to IFAD and Government in a timely and accurate manner. These reports will include the narrative report as a harmonised source of key data and ensure the trends are highlighted. The reports will record the financial and physical progress against AWPB targets. The Knowledge Management Officer will prepare a report on KM survey and analytical work, with a tabular appendix showing the progress in each Province against the project indicators. The Strategic Management Section will be responsible only for the availability of data as indicated in the Logical Framework. The availability of all other data in the appendix will be the responsibility of the institutions, assisted by the PCUs in the preparation of the standardised reporting formats.
- 50** The PCU Directors will be responsible for the preparation of six-monthly and annual provincial progress reports for submission to the PPC, PSC, and IFAD within a month from the end of the reporting period.
- 51** The implementing agencies will - within 2 weeks from the end of the reporting period - submit quarterly, six-monthly progress reports to the PCU as a condition for release of funds for the ensuing period. CPCs and DPCs, will report on project supported SEDP initiatives. The Women's Unions and others will report directly to the PCU.
- 52** Annual Results and Impact Reporting: The PCUs will report separately to IFAD on the project indicators that overlap with IFAD's RIMS. The information contained in these Annual Results and Impact Reports will be drawn from the project MIS, and set in relation to the targets contained in this Report and those in the AWPBs.
- 53** Mid-Term Reports: The report will be prepared by the two PCUs and comprise the assessment of the efficiency as well as the project achievements to-date, an analysis of the project approach and activities, and detailed proposals for the implementation of the second part of the project.
- 54** Project Completion Report: At the end of the implementation period, a single comprehensive Project Completion Report will be compiled by the two PCUs. The Completion Report will follow the IFAD guidelines and format for project completion reports. The assessment criteria will include: Participation of the target groups, the Project's strategies and approaches, relevance, finance management, efficiency, outputs delivery, effectiveness, impacts, sustainability, Innovation, up-scalability and replicability.

#### **Knowledge management.**

- 55** The project's knowledge management program will be an essential element for delivery of project objectives, especially for climate change related-learning. Two approaches will be taken: (i) a knowledge management program within the project for purposes of supporting within and between project learning and (ii) support for a broader program of knowledge management aimed at informing government decision-makers and influencing policy.
- 56** The "within project" knowledge management activities would build upon the experience with the prior projects and support the PCUs to continue to carry out a program of (i) exchange visits to other IFAD-funded provinces (ii) integration of project learning into capacity building activities for the target groups and into community meetings, training courses and workshops in the communes; (iii) sharing of

success stories through newspapers, television and with IFAD; (iv) “information corners” in project communes; (v) training of project staff in communication skills and; (vi) maintenance of online information services.

- 57 The data management system will ensure that all reporting is completed and that information, reports and data are available in suitably accessible formats. Evidence based learning is an important output and the knowledge management system, combined with the evaluations must generate these evidence backed lessons. Lessons may be about approaches that do not work as well as those that do. In order to manage the knowledge and information of the Project, the following activities will be conducted:
- 58 Documenting lessons learnt, best practices and cases of success: The Strategic Management Service will collect all available relevant information to document lessons learnt, best practices and cases of success. It could be based on information collected from: progress reports, meetings and interviews, monitoring and evaluation reports, outputs evidence provided by targeted groups, market and value chain entities and other involved parties.
- 59 Developing and delivering a lessons learnt study: Based on the information collected along project implementation, the KM Officer will develop an end of project Lessons Learnt Report, analysing the documented lessons learnt, best practices and cases. It will be first submitted to IFAD, and once feedback has been incorporated, if any, the report will be shared widely.
- 60 Development of material for dissemination: The Strategic Management Service will produce communication materials summarizing some of the success stories to be distributed through networks, and through policy dialogue, especially related to CC adaptation policies conducive to effective planning and investment. Based on analysis of the documented information, and the reports, material for dissemination will be produced at the end of the project; a mid-term Lessons Learnt Report might be developed. A short film about the Project combining before and after footage will be shared with target groups, policy makers and other stakeholders. Recommendations and actions for market and value chain development will be developed.
- 61 For the broader knowledge management objectives, the project’s community presence, experience and knowledge will be the basis for a systematic and structured learning and knowledge dissemination process for “pro-poor, climate smart” agriculture and rural development. Among others, the goal would be to inform both Provincial-led implementation efforts and to bring “learning-from-the-field” into national policy discussions. For the former, supporting Provincial governments through learning is extremely important given the decentralization of fiscal resources and management responsibilities to them and their needs to learn in near-real time in order to improve practices, methodologies, efficiencies and outcomes. For the latter, at the national level there is significant unmet stakeholder demand for consultation on policy implementation and “learning-from-the-field” in support of high-level policy dialogue.
- 62 The ultimate agenda for knowledge management will require consultation with key stakeholders. However, an example of potentially relevant work would be as follows.
- MARD’s Action Plan Framework for Adaptation to Climate Change in the Agriculture and Rural Development Sector is heavily focused on “hard” approaches for planned adaptation. “Soft” approaches and autonomous adaptation – equally important, particularly for diverse smallholder systems – receive only limited attention. Efforts to date to systematize learning on soft approaches (e.g., from CBDRM processes) have been largely ad hoc, collecting anecdotal evidence of ongoing smallholder adaptation. Through the project’s support for analysis of adaptation and monitoring/evaluation of smallholder behavior, a more systematic approach can be taken to capture substantive information on farm and land use management practices and land use shifts. The establishment of a thematic ad hoc group (TAG) for adaptation at the project (bi-provincial) level could support “response to climate change knowledge management” and learning-from-the-field.

- 63** Among others, the project would support<sup>62</sup> the existing Climate Change Office in Ben Tre and the development of such an entity in Tra Vinh. The purpose would be to enhance the office's capacity to function as climate change "knowledge node" and technical secretariat for PPC/Climate Change Steering Committee in areas of:
- a) Coordination of provincial climate change adaptation agenda;
  - b) To serve as clearinghouse for climate change-related information/activities;
  - c) Develop cross-sectoral agendas for capacity building;
  - d) Networking among stakeholders to enhance knowledge management (identification, documentation and dissemination of good practice, lessons learned);
  - e) Coordinate policy studies; and,
  - f) Organize (i) stakeholder forums for the purpose of reviewing lessons and generating discussion on policies and strategies for climate change response; (ii) technical forums for advising policy-makers on priority issues and (iii) high-level forums for key national, regional, provincial, ODA and FDI actors for policy discussions and coordination/leveraging of investment resources.
- 64** Finally, during implementation, the project would support efforts to broaden the extension system through systematic development of farmer networks (to share knowledge on successful adaptation); farmer-to-farmer extension approaches (to facilitate technology transfer); continued development of community-based technical services (e.g., para-veterinarians for vaccinations and control of plagues); promotion and utilization of private service delivery and; strengthening functional linkages between researchers and farmer networks to ensure the relevance of the research agendas.

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<sup>62</sup> Support would not include coverage of overheads or recurrent costs for the offices, only be for specific tasks and products.

## Appendix 7: Financial management and disbursement arrangements

### Financial Management and Disbursement Arrangements

1. **Financial management.** The provincial PCUs will be responsible and accountable to Government and IFAD for the proper use of funds apportioned to them, in line with the respective legal agreements and contractual arrangements for service providers. They will provide detailed financial statements of the operations, resources and expenditures related to the project for each fiscal year, prepared in accordance with standards and procedures acceptable to IFAD. The existing system of financial management and the financial regulations of DBRP Ben Tre and IMPP Tra Vinh were reviewed. Financial Management Risk Assessments of DBRP Ben Tre and IMPP Tra Vinh were conducted, rating as "medium risk" for DBRP Ben Tre and "low risk" for IMPP Tra Vinh. The project provinces have quite extensive experience in managing externally financed projects including those financed by IFAD, with generally good outcomes and accountability frameworks. The trained and competent staff dealing with financial management from previous projects supported by the Fund will assume the responsibility for ASAP, thus minimizing the risk of inappropriate use of funds.
2. The Government shall ensure that counterpart funds are provided in a timely manner, particularly regarding instances where parallel financing arrangements are used. Failure to do so may impede the efficiency and effectiveness of project implementation.
3. Designated Account (DA): In accordance with the Financing Agreement and Section 4.04(d) of the General Conditions, immediately after entry into force of the Financing Agreement, the GOV shall open and thereafter maintain in a commercial bank accepted by IFAD, two accounts denominated in US dollars for the purpose of financing the project. The Designated Account will be operated by the MOF and will be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower and accepted by IFAD. The Borrower shall inform the Fund of the officials authorized to operate the DA.
4. Project Accounts: Each PCU shall open and maintain in the provincial treasuries an account denominated in VND for project operations, the "Project Accounts". The Project Accounts shall be funded and replenished as necessary from the resources held in the Designated Account, upon request of the PMUs and in accordance with expenditures incurred under approved AWPBs. The project director of each PMU shall be fully authorized to operate the relevant Project Account.
5. Initial Deposit into the Designated Account (Authorized Allocation): Upon the entry into force of the IFAD loan and the Borrower's request, IFAD will make two withdrawal(s) of USD 3 **million** in the aggregate, from the Loan Account on behalf of the Borrower and deposit such amount into the Designated Account to carry out the Project. The following are the Authorized Allocations of DAs:
  - a) USD 1.5 million for the IFAD Loan–Ben Tre
  - b) USD 1.5 million for the IFAD Loan–Tra Vinh
6. The request for such deposit needs to submit related documents to IFAD, which include the following:
  - a) Signature Specimen: Signature specimen of the authorized officials who are managing the Designated Account must be confirmed by MOF with signature and submitted through MOF to IFAD in the form acceptable to IFAD prior to requesting for the deposit.
  - b) Letter of Evidence: A "Letter of Evidence" issued by the Bank holding the Designated Account must be submitted to IFAD before requesting for the deposit. The "Letter of Evidence" should confirm the opening of the Designated Account, provide the account number and address, and state the agreement for the operation of the account. The "Letter of Evidence" should also indicate the "SWIFT" code for the bank in question.

- c) Form 100: A “Form 100” needs to be filled in and properly signed and submitted to IFAD for the request of initial deposit.
7. **Replenishment to the Designated Account:** IFAD will replenish the Designated Account upon request. Withdrawal applications for replenishment to the Designated Account should be denominated in US Dollars and should be submitted on a frequent basis, provided that the expenditure made during the previous months is more than or equivalent to the Minimum Withdrawal Amounts, about 20% of the initial advance.
8. The amounts withdrawn from the Designated Account in local currency should be converted into USD using the prevailing exchange rate at the date of disbursing to the Project Accounts.
9. Each claim to IFAD for the replenishment of the Designated Account needs to include the following documents and statements:
- a) Form 100: A duly filled and signed “Form 100”;
  - b) Form 101 or 102;
  - c) Designated Account Reconciliation Statement: A properly filled “Designated Account Reconciliation Statement”;
  - d) Supporting documentation relevant for the eligible expenditures.
10. **The SOE** Threshold for all expenditures pertaining to all categories is recommend to a ceiling of USD 40 000.
11. **Eligible** Expenditure: The Financing shall be used exclusively to finance expenditures meeting each of the following eligibility requirements:
- a) The expenditure shall meet the reasonable cost of goods, works and services required for the Project and covered by the relevant AWPB and procured in conformity with the Fund’s Procurement Guidelines;
  - b) The expenditure shall be incurred during the Project Implementation Period, except that expenditures to meet the costs of winding up the Project may be incurred after the Project Completion Date and before the Financing Closing Date;
  - c) The expenditure shall be incurred by a Project Party;
  - d) If the Agreement allocates the amount of the Financing to categories of Eligible Expenditures and specifies the percentages of such Eligible Expenditures to be financed by the Financing, the expenditure must relate to a category whose allocation has not been depleted, and shall be eligible only up to the percentage applicable to such category.
12. The expenditure shall be otherwise eligible in accordance with the terms of the Financing Agreement.
13. Any payments to a person or an entity, or for any goods, works or services, if making or receiving such payment constitutes a coercive, collusive, corrupt or fraudulent practice by any representative of the Borrower/Recipient or any Project Party, shall not be eligible for financing by IFAD.
14. **Taxation:** The proceeds of the financing may not be used to pay taxes. All taxes are to be borne by the Government.
15. **IFAD Policy on Anti-Corruption and Fraud:** IFAD’s policy to require that the staff of IFAD, and (including beneficiaries of IFAD loans) as well as all bidders, suppliers, contractors and consultants under IFAD-financed contracts observe the highest standard of ethics and integrity during the procurement and execution of such contracts. Mechanisms for the whistle-blowers to access IFAD systems are provided at the following link: <http://www.ifad.org/governance/anticorruption/how.htm>
16. **Disbursement Procedures:** There are four standard procedures that can be used to request withdrawals from the Loan Account, which are as follows:



- a) Procedure I: Advance withdrawal (replenishment of the designated account, using imprest accounts or revolving funds with replenishment to a bank account(s) designated to receive financing resources in advance). This modality is used to advance and/or replenish funds to a bank account as designated by the borrower. IFAD may place a limit on the amount to be advanced and/or replenished. Relevant details on the modality – which is project specific – are agreed between the borrower and IFAD, and detailed in the Letter to the Borrower/recipient (LTB).
  - b) Procedure II: Reimbursement. This is applicable when eligible project expenditures, reimbursable under the financing, have been pre-financed by the borrower. Such reimbursements are expected to be claimed no later than 90 calendar days from the date of payment by the borrower.
  - c) Procedure III: Direct Payment. This modality is used for eligible project expenditures to be paid directly by IFAD, generally for large contracts, to suppliers, contractors, consultants or third parties, as authorized by the borrower
  - d) Procedure IV: Special Commitment. This modality is used for eligible project expenditures related to items imported by project implementing agencies under a letter of credit requiring the issuance of guarantees for reimbursement to negotiating banks by IFAD.
17. Specific disbursement procedure should be referred to The Loan Disbursement Handbook for IFAD Directly Supervised Projects – Version 1.01
18. Budgeting. As noted the PCUs will be responsible for compilation of the consolidated annual work plan and budget for each province. Counterpart funds will be incorporated in the annual budget and will be released annually. Previous experience indicates that government contributions are provided as planned and in a timely manner.
19. Counterpart government contributions payments will be made from a Provincial Budget by arrangement of provincial Department of Finance, and be used specifically for the Vietnamese contributions to the Project. These contributions will be received annually/quarterly in accordance with normal budget procedures.
20. Beneficiary Contribution: The PCUs shall evolve a system to collect information in respect of beneficiary contribution to the project on a regular and on-going basis.
21. External audit. In line with section 9.03 of the General Conditions for Agricultural Development Financing of IFAD, the consolidated financial statements of the Project including the use of the counterpart funds relating to the Project will be audited by Independent Auditors who shall be appointed based on a transparent and competitive selection process with an agreed TOR for the project audit assignment, which should be subject to a no-objection by IFAD. The auditors will audit the project consolidated financial statements annually and audit reports shall be submitted to IFAD within six months of the end of the relevant financial reporting period. Following IFAD Guidelines on Project Audits, the auditors shall provide separate opinions on the financial statements, SOEs and DA. In particular, the Auditors shall review withdrawals from the Project Accounts at various levels on the basis of SOEs, and provide an independent opinion on whether such expenditures fully comply with expenditures eligible for IFAD disbursements. They shall also review the efficiency of the flow of the funds and the delivery of counterpart financing. IFAD, as part of its supervision functions, will also inspect Project Accounts to ensure their adherence to acceptable standards. The auditor shall provide three separate opinions:
- a) an opinion on the project financial statements (PFSs);
  - b) an opinion on the use of the Designated Account (DA), including the initial advance, replenishments, interest that may accrue on the outstanding balances, and the year-end balances. In this, the audit shall examine: the eligibility of withdrawals from the DA during the period under review; the operation of the DA in accordance with the financing agreement and other instructions provided by IFAD; the adequacy of internal controls

- within the project appropriate for this disbursement mechanism; and the use of correct exchange rates to convert local currency expenditures to the denominated currency of the DA; and
- c) an opinion on withdrawal applications, statements of expenditure (SOEs), and their summary, used as the basis for submitting withdrawal applications. SOEs will be carefully compared for eligibility with relevant financial agreements and the disbursement letter, with reference to the project design report for guidance when necessary. The auditor's opinion should deal with the adequacy of the procedures used by the project for preparing SOEs and should include a statement that amounts withdrawn from the project account on the basis of such SOEs were used for the purposes intended under the agreement.
22. In addition, auditors shall provide a separate management letter addressing the adequacy of the accounting and internal control systems of the programme, including compliance with the IFAD Procurement Guidelines and such other matters as IFAD may request.
23. Procurement. Project procurement will follow the national procedures to the extent that they are consistent with the IFAD Project Procurement Guidelines. To the extent possible, the procurement of goods, civil works and consulting services shall be bulked into sizeable bids so as to permit optimal use of competitive bidding. Procurements shall be documented for ex-post review by IFAD and for audit purposes. Consolidated procurement plans covering a period of 18 months will be prepared as part of the AWPB and submitted to IFAD for "no objection" review, before commencement of procurement. It should provide information of goods, works and services disaggregated into different components, including: (i) description of goods, works or services to be procured; (ii) procurement method; (iii) estimated unit cost for each item; (iv) estimated cost for each procurement; and (v) review procedure (post or prior review by IFAD). A procurement plan for the first 18 months has been prepared during the design completion mission, and is available in the Project Life File (Annex ....).
24. In line with IFAD's Project Procurement Guidelines, the following threshold recommended for the projects are subject to prior review by IFAD:
25. Award of any contract for goods and work estimated to cost USD 60 000 or more;
26. Award of any contract for consulting services estimated to cost USD 30 000 or more.
27. All contracts, with or without prior IFAD approval, shall be listed in the Register of Contracts with the dates of approval. The Register shall be updated and submitted to the IFAD on a six-monthly basis.
28. Contract Management is very critical to smooth and successful implementation of the project. ASAP should introduce the system to ensure the rights & duties of each party to contract are provided to ensure delivery on time, with right quality and as per/ within budget. For an effective contract administration, each contract should contain all pertinent deliverables, timing, deadlines, results-oriented reporting and expected outcomes, with measurable indicators. The template of the Contract Monitoring Form is available in the Procurement Handbook as well as IFAD's Loan Disbursement Handbook. The contract monitoring form should be submitted to IFAD after each —prior review contract|| has been signed and along with each Withdrawal Application for all contracts with ongoing payments.
29. Financial Statements. The financial statements of the project for each fiscal year should consist of (i) yearly and cumulative statements of sources and application of funds, which should disclose separately IFAD funds, GOV funds and beneficiaries funds and (ii) the Balance Sheet which should disclose bank and cash balances that agree with the statement of sources and application of funds, fixed assets and liabilities; and (iii) Yearly and cumulative SOEs by withdrawal application and category of expenditures. ASAP shall prepare and deliver to IFAD such financial statements within three months of the end of each Fiscal Year. The aforesaid statements duly audited should be delivered to IFAD within six months of the end of each Fiscal Year.

## Appendix 8: Procurement

1. All project communes are now preparing for disbursement under the National Target Programme for New Rural Development (NTP-NRD). Direct contracting, however, is the dominant method for procurement of works under the national programs for poverty reduction and rural development since direct contracting could be applied for a work package with the estimated cost below VND 5 billion according to the Vietnamese Procurement Law.
2. Procurement of goods, works and consulting services financed by IFAD under the AMD would be carried out in compliance with the IFAD's Project Procurement Guidelines (as approved by IFAD in September 2010 and which may be amended from time to time). The national procurement procedures, processes and regulations under the Procurement Law could be applied to the extent that are consistent with IFAD Project Procurement Guidelines.
3. The PCUs shall submit to IFAD the Draft AWPB and the Procurement Plan covering the initial eighteen (18) month period of project implementation. This shall be updated to cover each succeeding twelve (12) month period for review and no objection. Each procurement plan shall include the proposed contracts, estimated costs and financings sources, methods of procurement, related IFAD review procedures, time schedules, etc. as specified in the IFAD procurement format.
4. Procurement methods for work packages under the AMD include (i) National Competitive Bidding applied for work packages with estimated cost equivalent or exceeding USD 60,000; (ii) Local Competitive Bidding applied for work packages with estimated cost less than USD 60,000; (iii) Procurement with Community Participation or Force Account applied for infrastructure schemes that can use intensive un-skilled labour and simple techniques such as cement concrete roads, lined canals, storages, etc. with the estimated cost less than USD 30,000; (iv) Direct Contracting could be applied for very small work packages with estimated cost less than USD 5,000.
5. Procurement methods for goods packages under the AMD include (i) National Competitive Bidding applied for goods packages with estimated cost equivalent or exceeding USD 60,000; (ii) National/ Local Shopping applied for goods packages with estimated cost less than USD 60,000; (iii) Direct Contracting could be applied for very small goods packages with estimated cost less than USD 5,000.
6. Methods for selecting consultants under the AMD include (i) Quality and Cost Based Selection applied for service packages with estimated cost equivalent or exceeding USD 30,000; (ii) Select Based on Consultants' Qualifications applied for service packages with estimated cost less than USD 30,000; (iii) Single Source Selection could be applied only in exceptional circumstances and to be approved by IFAD in the procurement plan.
7. Prior review thresholds. In accordance with IFAD Project Procurement Guidelines the following shall be subject to prior review by IFAD: (i) any goods contract estimated to cost USD 60,000 or more; (ii) any work contract estimated to cost USD 60,000 or more; and (iii) any consulting service contracts estimated to cost USD 30,000 or more.
8. Inter-provincial procurement and contracting. There are some technical assistance and consulting services that would be jointly procured and managed by the PCUs for effective use of technical expertise and ensuring a regional approach of the AMD. The PCUs would work together for planning, ToR preparation, consultant selection and contract negotiation and management of these services. Some of the technical assistance and consulting services that would be jointly implemented by the PCUs would include: (i) preparation of the Project Implementation Manual; (ii) preparation of the Project Finance Management Manual; (iii) preparation of the co-finance planning and implementation manual; (iv) recruitment of international/national technical advisors in salinity monitoring, rural business, rural finance, climate smart agriculture; and (v) recruitment of auditors.



Socialist Republic of Viet Nam  
Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces  
Project Design Report

A57	Weather stations O&M	ASAP	interprovince	Recurrent	N/A	44,850	5,000	DC/SOE	No	Jul-15			
Sub-total Sub-component A.1.						6,982,200	2,542,100						
Sub-component A.2. Climate-Informed Planning													
A58	Establishment of the Tra Vinh Climate Change Coordination Office	ASAP	interprovince	Equip&Goods	Comb2	27,600	27,600	NCB	Yes	Jul-14			
A59	Design of stakeholder management coordination strategy	ASAP	interprovince	TA&Training	1	21,000	15,000	IC	No	Jan-15			
A60	Design & setup of information clearinghouse database	ASAP	interprovince	TA&Training	1	24,000	16,000	IC	No	Jan-15			
A61	IT equipment & software for clearinghouse database	ASAP	interprovince	Equip&Goods	Comb2	53,100	53,100	NCB	Yes	Jul-14			
A62	Dedicated server (corporate) for clearing house/database	ASAP	interprovince	TA&Training	1	20,200	4,500	DC/SOE	No	Jul-14			
A63	Translation of documents for database	ASAP	interprovince	TA&Training	multi	32,000	7,500	IC	No	Jul-14			
A64	IT specialist/trainer	ASAP	interprovince	TA&Training	multi	55,800	15,000	IC/CO	No	Jan-15			
A65	Communications/Networking specialist/trainer	ASAP	interprovince	TA&Training	multi	54,000	25,000	IC/CO	No	Jan-15			
A66	Digital video camera & audio recorder	ASAP	interprovince	TA&Training	Comb2	3,200	3,200	NCB	Yes	Jul-14			
A67	Studies for DoNRE Provincial Climate Change Action Plans for 2016-2020 and 2021-2025	ASAP	interprovince	TA&Training	multi	60,000	30,000	IC/CO	Yes	Jul-14			
A68	DoNRE Stakeholder Workshops	ASAP	interprovince	TA&Training	N/A	12,800	6,100	SOE	No	Jul-14			
A69	DoNRE Dissemination - publications, brochures, newspaper, radio programs, etc.	ASAP	interprovince	TA&Training	multi	8,600	4,000	IC/CO/SOE	No	Jan-15			
A70	DoNRE Dissemination workshops. Provincial-level	ASAP	interprovince	TA&Training	N/A	12,800	6,100	SOE	No	Jan-15			
A71	DoNRE Dissemination workshops. District-level	ASAP	interprovince	TA&Training	N/A	32,100	15,200	SOE	No	Jan-15			
A72	Studies for DARD Agricultural Sector Climate Change Action Plans for 2016-2020 and 2021-2025	ASAP	interprovince	TA&Training	multi	60,000	30,000	IC/CO	Yes	Jul-14			
A73	DARD Stakeholder Workshops	ASAP	interprovince	TA&Training	N/A	12,800	6,100	SOE	No	Jul-14			
A74	DARD Dissemination - publications, brochures, newspaper, radio programs, etc.	ASAP	interprovince	TA&Training	multi	8,600	4,000	IC/CO/SOE	No	Jan-15			
A75	DARD Dissemination workshops. Provincial-level	ASAP	interprovince	TA&Training	N/A	12,800	6,100	SOE	No	Jan-15			
A76	DARD Dissemination workshops. District-level	ASAP	interprovince	TA&Training	N/A	32,100	15,200	SOE	No	Jan-15			
A77	Studies for DPI	ASAP	interprovince	TA&Training	multi	40,000	20,000	IC/CO	Yes	Jul-14			
A78	DPI Stakeholder Workshops	ASAP	interprovince	TA&Training	N/A	12,800	6,100	SOE	No	Jul-14			
A79	DPI Dissemination - publications, brochures, newspaper, radio programs, etc.	ASAP	interprovince	TA&Training	multi	8,600	4,000	IC/CO/SOE	No	Jan-15			
A80	DPI Dissemination workshops. Provincial-level	ASAP	interprovince	TA&Training	N/A	12,800	6,100	SOE	No	Jan-15			
A81	District mapping of CC vulnerability	ASAP	interprovince	TA&Training	1	85,500	40,400	IC	Yes	Jan-15			
A82	Formation of CC Integration TAG	ASAP	interprovince	TA&Training	N/A	15,000	7,100	SOE	No	Jan-15			
A83	Review, existing methodologies for commune-level CC planning	ASAP	interprovince	TA&Training	1	18,000	9,000	IC	No	Jan-15			
A84	Technical workshops for CC integration into SEDP at commune and district-levels	ASAP	interprovince	TA&Training	N/A	19,200	9,100	SOE	No	Jan-15			
A85	Development CBDRM-based methodology for commune-level SEDP planning	ASAP	interprovince	TA&Training	multi	48,000	24,000	IC	Yes	Jan-15			
A86	Testing & evaluation of commune-level, CBDRM-based methodology	ASAP	interprovince	TA&Training	1	18,000	9,000	IC	No	Apr-15			
A87	District-level diagnostic of ongoing adaptation, down-scaling of Provincial-level medium-term climate change impact scenarios & identification of vulnerable areas, production systems, and populations	ASAP	interprovince	TA&Training	multi	66,000	33,000	IC	Yes	Jan-15			
A88	Development District-level zoning methodology, based on commune CC planning	ASAP	interprovince	TA&Training	1	6,000	3,000	IC	No	Jan-15			
A89	Piloting & updating of commune-level, CBDRM-based methodology	ASAP	interprovince	TA&Training	multi	18,000	9,000	IC	No	Jan-15			
A90	Participation of MARD's Disaster Management Center (travel/per diem)	ASAP	interprovince	TA&Training	N/A	17,800	6,000	SOE	No	Jan-15			
A91	CC Integration TAG progress reviews (meetings/field visits)	ASAP	interprovince	TA&Training	N/A	4,300	2,000	SOE	No	Jan-15			

Socialist Republic of Viet Nam  
Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces  
Project Design Report

A91	CC Integration TAG progress reviews (meetings/field visits)	ASAP	interprovince	TA&Training	N/A	4,300	2,000	SOE	No	Jan-15		
	Development Provincial-level methodology for integration into sectoral SEDPs of commune & district vulnerability mapping & zoning					12,000						
A92		ASAP	interprovince	TA&Training	1			IC	No	Jan-16		
A93	Key stakeholder progress review & evaluation workshop	ASAP	interprovince	TA&Training	N/A	38,500	9,000	SOE	No	Jan-15		
A94	Systematization of process & results	ASAP	interprovince	TA&Training	1	6,000	4,500	IC	No	Jan-15		
A95	Development of training materials & methodological guides	ASAP	interprovince	TA&Training	multi	30,000	15,000	IC	No	Jan-15		
A95	Training of trainers	ASAP	interprovince	TA&Training	1	126,600	30,000	IC/CO	Yes	Jan-15		
	Dissemination - publications, brochures, newspaper, radio programs, etc.					19,200	3,000					
A97		ASAP	interprovince	TA&Training	N/A			SOE	No	Jan-15		
A98	Cross-visits, District & Commune staff	ASAP	interprovince	TA&Training	N/A	123,800	18,000	SOE	No	Jan-15		
A99	Field visits/study tours for DPI planning staff	ASAP	interprovince	TA&Training	N/A	82,700	16,000	SOE	No	Jan-15		
A100	Presentations, national conferences/events	ASAP	interprovince	TA&Training	N/A	8,500	2,000	SOE	No	Jan-15		
A101	Publication of results (web-based publication, journals)	ASAP	interprovince	TA&Training	N/A	11,800	2,000	SOE	No	Jan-15		
	Promotional campaign/awareness raising for local officials & groups for core communes					59,000	7,000					
A102		ASAP	interprovince	TA&Training	N/A			SOE	No	Jan-15		
A103	Twinning of non-project communes in the SEDP planning process	ASAP	interprovince	TA&Training	N/A	156,400		SOE	No	Jul-16		
A104	Training of commune & village staff/facilitators for core communes	ASAP	interprovince	TA&Training	Comb3	96,100	22,000	IC/CO/SOE	Yes	Jan-15		
A105	Training of District staff for core communes	ASAP	interprovince	TA&Training	Comb3	48,100	12,000	IC/CO/SOE	Yes	Jan-15		
	Village/Commune participatory vulnerability mapping & scenario development for core communes					369,200	90,000					
A106		ASAP	interprovince	TA&Training	2			IC/CO	Yes	Jan-15		
A107	Value chain climate proofing for core communes	ASAP	interprovince	TA&Training	2	369,200	90,000	IC/CO	Yes	Jan-15		
	Promotional campaign/awareness raising for local officials & groups for non core communes					33,100						
A108		ASAP	interprovince	TA&Training	N/A			SOE	No	Jan-18		
	Training of commune & village staff/facilitators for non core communes					81,900						
A109		ASAP	interprovince	TA&Training	Comb3			IC/CO/SOE	Yes	Jan-18		
	Village/Commune participatory vulnerability mapping & scenario development for non core communes					314,650						
A110		ASAP	interprovince	TA&Training	2			IC/CO	Yes	Jan-18		
A111	Value chain climate proofing for non core communes	ASAP	interprovince	TA&Training	2	314,650		IC/CO	Yes	Jan-18		
A112	Support to the operation of the Ben Tre and Tra Vinh CCCOs	ASAP	interprovince	Recurrent	multi	161,500	38,000	Shopping	No	Jul-14		
A113	Staffing of the Tra Vinh CCCO	GB/ASAP	TV PMU	Recurrent	N/A	116,900	27,000	FA	No	Jul-14		
	Operation of Provincial Climate Change Steering Committee Technical Secretariat (CCCCO)					26,900	6,000					
A114		ASAP	interprovince	Recurrent	multi			Shopping	No	Jul-14		
A115	Ben Tre District Project Support Team salaries and allowances	GB/ASAP	BT PMU	Recurrent	N/A	799,900	190,000	FA	No	Jul-14		
A116	Tra Vinh District Project Support Team salaries and allowances	GB/ASAP	TV PMU	Recurrent	N/A	613,400	147,000	FA	No	Jul-14		
A117	Ben Tre Commune Development Board allowances	GB/ASAP	BT PMU	Recurrent	N/A	519,200	122,000	FA	No	Jul-14		
A118	Tra Vinh Commune Development Board allowances	GB/ASAP	TV PMU	Recurrent	N/A	1,057,600	252,000	FA	No	Jul-14		
A119	Ben Tre O&M of Project District and Commune Offices	GB/ASAP	BT PMU	Recurrent	N/A	371,500	89,000	FA	No	Jul-14		
A120	Tra Vinh O&M of Project District and Commune Offices	GB/ASAP	TV PMU	Recurrent	N/A	312,900	75,000	FA	No	Jul-14		
<b>Sub-total Sub-component A.2.</b>						<b>7,214,700</b>	<b>1,744,000</b>					
<b>Total Component A</b>						<b>14,196,900</b>	<b>4,286,100</b>					

Socialist Republic of Viet Nam  
Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces  
Project Design Report

<b>Component B - Investing in Sustainable Livelihoods</b>											
<b>Sub-component B.1. Rural Finance for Resilient Livelihoods</b>											
	<b>Ben Tre</b>										
B1	Village meetings for mobilization of WSCGs	IFAD	BT PMU	TA&Training	N/A	22,600	6,500	SOE	No	Jan-15	
B2	Information materials	IFAD	BT PMU	TA&Training	1	8,800	3,000	Shopping	No	Jan-15	
B3	Annual review and planning workshop	IFAD	BT PMU	TA&Training	N/A	19,900	4,500	SOE	No	Jan-15	
B4	Training for Social Fund new district staff	IFAD	BT PMU	TA&Training	N/A	4,100	4,100	SOE	No	Jan-15	
B5	Training for new clusters leaders	IFAD	BT PMU	TA&Training	N/A	17,100	6,000	SOE	No	Jan-15	
B6	Training for WSCG members	IFAD	BT PMU	TA&Training	N/A	173,400	14,000	SOE	No	Jan-15	
B7	AMD financing for on-lending	IFAD	BT PMU	WSCG Finan	N/A	783,000	220,000	Fin Inter	Yes	Jan-15	
B8	ITA for development of SF Strategic Plan	IFAD	interprovince	TA&Training	1	20,200	20,200	IC	Yes	Jan-15	
B9	NTA for development of SF Strategic Plan	IFAD	interprovince	TA&Training	1	1,500	1,500	IC	No	Jan-15	
B10	ITA for Capacity Building of SF staff	IFAD	interprovince	TA&Training	1	105,900	30,000	IC	Yes	Jan-15	
B11	Study tour for SF staff	IFAD	interprovince	TA&Training	1	10,100	10,100	Shopping	No	Jan-15	
B12	Loan management and related equipment	IFAD	BT PMU	Equip&Goods	2	53,100	53,100	Shopping	Yes	Jan-15	
B13	Provision of equipment for SF	IFAD	BT PMU	Equip&Goods	Comb2	17,000	17,000	NCB	No	Jan-15	
B14	Accounting materials and stationery (for new clusters)	IFAD	BT PMU	Equip&Goods	1	16,100	10,000	Shopping	No	Jan-15	
B15	NTA for development of WSCG training materials	IFAD	interprovince	TA&Training	1	1,500		IC	No	Jan-16	
B16	Training Materials	IFAD	BT PMU	Equip&Goods	1	11,000		Shopping	No	Jan-16	
B17	NTA for training of SF district staff	IFAD	interprovince	TA&Training	1	4,500	2,000	IC	No	Jan-15	
B18	SF district staff training sessions	IFAD	BT PMU	TA&Training	1	15,000	4,500	Shopping	No	Jan-15	
B19	SF clients training sessions	IFAD	BT PMU	TA&Training	1	122,600	20,000	Shopping	No	Jul-15	
B20	Due diligence	IFAD	interprovince	TA&Training	1	12,500	12,500	CO	Yes	Jul-15	
B21	Investment Capital for on-lending	IFAD	interprovince	WSCG Finan	N/A	1,000,000	150,000	Fin Inter	Yes	Oct-15	
B22	Provincial agro-finance workshops	IFAD	BT PMU	TA&Training	N/A	22,200	7,100	SOE	No	Oct-14	
	<b>Tra Vinh</b>										
B23	Annual review and planning workshop	IFAD	TV PMU	TA&Training	N/A	19,900	4,500	SOE	No	Jan-15	
B24	Training for Social Fund new district staff	IFAD	TV PMU	TA&Training	N/A	29,300	22,000	SOE	No	Jan-15	
B25	Training for WSCG members	IFAD	TV PMU	TA&Training	N/A	282,200	85,000	SOE	No	Jan-15	
B26	AMD financing for on-lending	IFAD	TV PMU	WSCG Finan	N/A	784,000	375,000	Fin Inter	Yes	Jan-15	
B27	ITA for development of SF Strategic Plan	IFAD	interprovince	TA&Training	1	20,200	20,200	IC	Yes	Jan-15	
B28	NTA for development of SF Strategic Plan	IFAD	interprovince	TA&Training	1	1,500	1,500	IC	No	Jan-15	
B29	ITA for Capacity Building of SF staff	IFAD	interprovince	TA&Training	1	105,900	30,000	IC	Yes	Jan-15	
B30	Study tour for SF staff	IFAD	interprovince	TA&Training	1	10,100	10,100	Shopping	No	Jan-15	
B31	Loan management and related equipment	IFAD	TV PMU	Equip&Goods	2	53,100	53,100	Shopping	Yes	Jan-15	
B32	Provision of equipment for SF	IFAD	TV PMU	Equip&Goods	Comb2	28,700	28,700	NCB	No	Jan-15	
B33	Accounting materials and stationery (for new WSCGs)	IFAD	TV PMU	Equip&Goods	1	16,200	10,000	Shopping	No	Jan-15	
B34	NTA for development of WSCG training materials	IFAD	interprovince	TA&Training	1	1,500		IC	No	Jan-16	
B35	Training Materials	IFAD	TV PMU	Equip&Goods	1	11,000		Shopping	No	Jan-16	
B36	NTA for training of SF district staff	IFAD	interprovince	TA&Training	1	3,000	3,000	IC	No	Jan-15	
B37	SF district staff training sessions	IFAD	TV PMU	TA&Training	1	25,700	25,700	Shopping	No	Jan-15	
B38	SF clients training sessions	IFAD	TV PMU	TA&Training	1	148,700	26,000	Shopping	No	Jul-15	
B39	Due diligence	IFAD	interprovince	TA&Training	1	12,500	12,500	CO	Yes	Jul-15	
B40	Investment Capital for on-lending	IFAD	interprovince	WSCG Finan	N/A	1,000,000	150,000	Fin Inter	Yes	Oct-15	
B41	Provincial agro-finance workshops	IFAD	TV PMU	TA&Training	N/A	22,700	7,200	SOE	No	Oct-15	
<b>Sub-total Sub-component B.1.</b>						<b>5,018,300</b>	<b>1,460,600</b>				

Socialist Republic of Viet Nam  
Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces  
Project Design Report

<b>Sub-component B.2. Investing in Climate Change Adaptation</b>											
B42	Awareness raising events for provincial, district and commune DARD ag. Officer	IFAD	interprovince	TA&Training	N/A	24,800	12,100	SOE	No	Jan-15	
B43	Awareness raising events for Farmer's Union/Womens Unions/Youth associations/PC	IFAD	interprovince	TA&Training	N/A	24,800	12,100	SOE	No	Jan-15	
B44	Specialized technical training for professionals & technicians on CC adaptation (e.g., operation of automated salinity monitoring system; use of salinity monitoring data; sluice gate management; etc.)	IFAD	interprovince	TA&Training	multi	103,700	25,000	IC/CO	Yes	Jan-15	
B45	Pro-poor public co-financed investments (Civil Works)	IFAD/GB/Ben	interprovince	Civil Works	multi	8,000,000	1,600,000	NCB/Shop/CPP	Yes	Jan-15	
B46	Pro-poor public co-financed investments (Design and Supervision)	IFAD	interprovince	TA&Training	multi	800,000	80,000	CO	Yes	Jan-15	
B47	Land reclassification studies and planning	IFAD	interprovince	TA&Training	multi	420,000	128,000	IC/CO	Yes	Jan-15	
B48	Co-financed CCA investments	IFAD/ASAP/Ben	interprovince	Grants	multi	10,000,000	2,500,000	NCB/Shop/CPP	Yes	Jan-15	
B49	ITA for Value Chain Opportunities Study	IFAD	interprovince	TA&Training	1	20,400	20,400	IC	Yes	Jan-15	
B50	NTA for Value Chain Opportunities Study	IFAD	interprovince	TA&Training	multi	36,000	36,000	IC	Yes	Jan-15	
B51	ITA for development of VC/VCP operational manual, training materials and ToT training	IFAD	interprovince	TA&Training	1	20,200	20,200	IC	Yes	Jan-15	
B52	NTA for development of VC/VCP operational manual, training materials and ToT training	IFAD	interprovince	TA&Training	1	6,000	6,000	IC	No	Jan-15	
B53	TA in support of PPC grant beneficiary business development	IFAD	interprovince	TA&Training	multi	190,000	15,000	IC/CO	Yes	Jan-15	
B54	Training materials	IFAD	interprovince	Equip&Goods	1	41,800	15,000	Shopping	No	Jan-15	
B55	Commune-District small business ADM awareness workshop	IFAD	interprovince	TA&Training	N/A	31,000	15,200	SOE	No	Jan-15	
B56	Managing a small business	IFAD	interprovince	TA&Training	N/A	64,100	15,500	IC/CO/SOE	No	Jan-15	
B57	Information communication technology for small businesses	IFAD	interprovince	TA&Training	multi	64,100	15,500	IC/CO/SOE	No	Jan-15	
B58	Small business product/market technical training	IFAD	interprovince	TA&Training	multi	128,100	31,000	IC/CO	Yes	Jan-15	
B59	Small business adaptation technical advisory service	IFAD	interprovince	TA&Training	multi	140,000	20,000	IC/CO	Yes	Jan-15	
B60	Linking small and large enterprises	IFAD	interprovince	TA&Training	N/A	85,400	20,700	SOE	No	Jan-15	
B61	Co-financing Value Chain Adaptation Investment	IFAD/Ben	interprovince	Grants	N/A	4,000,000	800,000	Shopping/CPP	Yes	Jan-15	
B62	Establishing shrimp seed quality evaluation and certification centre (Civil Works)	IFAD	interprovince	Civil Works	1	105,000	105,000	NCB	Yes	Jan-15	
B63	Establishing shrimp seed quality evaluation and certification centre (Equipment and Materials)	IFAD	interprovince	Equip&Goods	1	211,600	211,600	NCB	Yes	Jan-15	
B64	Establishing shrimp seed quality evaluation and certification centre (Training of provincial/district personnel)	IFAD	interprovince	TA&Training	N/A	8,300	8,300	SOE	No	Jan-15	
B65	Supervision of setting up facility (e.g. NAFOAD)	IFAD	interprovince	TA&Training	N/A	6,000	6,000	SOE	No	Jan-15	
B66	Non-farm vocational training for poor landless	IFAD	interprovince	TA&Training	multi	732,900	210,000	IC/CO	Yes	Jan-15	
<b>Sub-total Sub-component B.2.</b>						<b>25,264,200</b>	<b>5,928,600</b>				
<b>Total Component B</b>						<b>30,282,500</b>	<b>7,389,200</b>				



Socialist Republic of Viet Nam  
Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces  
Project Design Report

<b>Component C - Project Management</b>											
<b>C.1 PMU Ben Tre</b>											
C1	Office renovation	IFAD	BT PMU	Civil Works	1	30,700	30,700	Shopping	No	Sep-14	
C2	Vehicles 4WD/sedan	IFAD	BT PMU	Equip&Goods	Comb4	65,700	65,700	NCB	Yes	Sep-14	
C3	Office equipment	IFAD	BT PMU	Equip&Goods	Comb2	228,200	228,200	NCB	Yes	Sep-14	
C4	Training and workshops	IFAD	BT PMU	TA&Training	N/A	285,500	80,000	SOE/DC	No	Jan-15	
C5	NTA (on a need basis)	IFAD	interprovince	TA&Training	multi	70,000	25,000	IC	Yes	Jan-15	
C6	Audit	IFAD	interprovince	TA&Training	1	95,000	20,000	CO	Yes	Jul-14	
C7	PMU staff salaries and allowances	IFAD/GB	BT PMU	Recurrent	N/A	1,019,100	242,000	FA	No	Jul-14	
C8	Provincial staff allowances	IFAD/GB	BT PMU	Recurrent	N/A	64,100	15,000	FA	No	Jul-14	
C9	Office running costs	IFAD	BT PMU	Recurrent	multi	336,500	80,000	Shopping	No	Jul-14	
<i>Subtotal C.1</i>						<i>2,194,800</i>	<i>786,600</i>				
<b>C.2 PCMU Tra Vinh</b>											
C10	Office renovation	IFAD	TV PMU	Civil Works	1	31,750	10,100	Shopping	No	Sep-14	
C11	Vehicles 4WD/sedan	IFAD	TV PMU	Equip&Goods	Comb4	65,700	65,700	NCB	Yes	Sep-14	
C12	Office equipment	IFAD	TV PMU	Equip&Goods	Comb2	225,600	225,600	NCB	Yes	Sep-14	
C13	Training and workshops	IFAD	TV PMU	TA&Training	N/A	285,500	80,000	SOE/DC	No	Jan-15	
C14	NTA (on a need basis)	IFAD	interprovince	TA&Training	multi	70,000	25,000	IC	Yes	Jan-15	
C15	Audit	IFAD	interprovince	TA&Training	1	95,000	20,000	CO	Yes	Jul-14	
C16	PMU staff salaries and allowances	IFAD/GB	TV PMU	Recurrent	N/A	1,026,800	245,000	FA	No	Jul-14	
C17	Provincial staff allowances	IFAD/GB	TV PMU	Recurrent	N/A	64,100	15,000	FA	No	Jul-14	
C18	Office running costs	IFAD	TV PMU	Recurrent	multi	336,500	80,000	Shopping	No	Jul-14	
<i>Subtotal C.2</i>						<i>2,200,950</i>	<i>766,400</i>				
<b>C.3 Monitoring and Evaluation</b>											
C19	Baseline study	ASAP	interprovince	TA&Training	1	60,700	60,700	CO	Yes	Jan-15	
C20	Mid-term Review Study	ASAP	interprovince	TA&Training	1	42,200		CO	Yes	Jul-16	
C21	Project Completion Evaluation Study	ASAP	interprovince	TA&Training	1	67,600		CO	Yes	Jan-19	
C22	Annual Outcome Surveys	ASAP	interprovince	TA&Training	multi	42,700	5,000	IC/CO	Yes	Jan-15	
C23	Case studies	ASAP	interprovince	TA&Training	multi	42,700	5,000	IC/CO	Yes	Jan-15	
C24	Technical assistance for design of methodologies & studies	ASAP	interprovince	TA&Training	multi	44,500	15,000	IC	Yes	Jan-15	
C25	M&E Workshops	ASAP	interprovince	TA&Training	N/A	87,500	21,000	SOE	No	Jan-15	
C26	Provincial and district level (DPI, DARD staff)	ASAP	interprovince	TA&Training	N/A	25,700	12,100	SOE	No	Jan-15	
C27	Commune-level, participatory M&E systems & reporting	ASAP	interprovince	TA&Training	N/A	55,550	8,000	SOE	No	Jul-15	
<i>Subtotal C.3</i>						<i>469,150</i>	<i>126,800</i>				
<b>Total Component C</b>						<b>4,864,900</b>	<b>1,679,800</b>				
<b>Total AMD</b>						<b>49,344,300</b>	<b>13,355,100</b>				

## Appendix 9: Project cost and financing

### I. MAIN ASSUMPTIONS

1. The main assumptions underlying the derivation of Project costs, estimated Project costs and financing plan are:
  - a) The Project costs are based on March 2013 prices.
  - b) The proposed Project will be financed over a six-year period.
  - c) Inflation. The Economist Intelligence Units (EIU) estimates for the consumer price inflation in 2014-18 are between 7% and 9%, and these rates were set as a base for the analysis for the Project period 2014-2020.
  - d) Exchange Rate. The Base Exchange rate for this analysis has been set at VND 21 000 to US\$ 1 as an official exchange rate prevailing in September 2013 (rounded).
  - e) The Project costs are presented in both VND and US\$. Conversions from current US\$ values into Dong use constant purchasing power exchange rates:
  - f) Taxes and Duties. There is value added tax (VAT) of 10% levied on all imported and locally procured goods and services, except for agricultural outputs/inputs that are levied at 5%. Vehicles have a tax of up to 40% depending on engine power. International technical assistance does not carry any taxes. For directly recruited local staff the Project will cover the social insurance charges of 33.5%.
  - g) The Government will finance the cost of all taxes on goods and services procured under the Project.
  - h) **Expenditure Accounts.** The expenditure accounts, together with the breakdown of taxes, physical contingencies and the average rates for foreign exchange used in the analysis are shown in Table 1 below. Physical contingencies have only been applied on the items for which the required amounts could not be reasonably estimated, and have not been applied to the funds earmarked for the civil works, credit lines and grants as they follow a demand-driven delivery approach.

**Table 1: Expenditure Accounts**

Description	Taxes (share in total costs)	Physical Contingency	Foreign Exchange
<b>Investment Costs</b>			
<i>Civil Works</i>	9%	0%	20%
B. <i>Equipment and Goods</i>	9%	5%	30%
C. <i>Vehicles</i>	50%	0%	30%
<i>Technical Assistance</i>			
International TA	0%	0%	100%
National TA	0%	0%	0%
<i>Training, CD and Information Dissemination</i>	0%	0%	0%
<i>Research and Studies</i>	0%	0%	0%
<i>WCSG Financing</i>	0%	0%	0%
<i>CCA Co-financing</i>	0%	0%	0%
<b>Recurrent Costs</b>			
A. <i>Salaries</i>	0%	0%	0%
B. <i>Operation and Maintenance</i>	9%	5%	20%
C. <i>Operating Expenses</i>	9%	5%	0%

## II. **PROGRAMME COSTS**

2. The total investment and incremental recurrent Project costs, including physical and price contingencies, as detailed in Table 2.

	Totals Including Contingencies						Total
	2014	2015	2016	2017	2018	2019	
<b>A. Building Adaptive Capacity</b>							
1. Climate Change Knowledge Enhancement	1,138.9	2,066.0	1,218.4	1,006.8	941.0	611.1	6,982.2
2. Climate-Informed Planning	1,270.2	987.3	1,004.6	1,100.9	1,223.7	1,628.0	7,214.7
<b>Subtotal Building Adaptive Capacity</b>	<b>2,409.2</b>	<b>3,053.3</b>	<b>2,223.0</b>	<b>2,107.7</b>	<b>2,164.7</b>	<b>2,239.0</b>	<b>14,196.9</b>
<b>B. Investing in Sustainable Livelihoods</b>							
1. Rural Finance for Resilient Livelihoods	760.4	1,333.0	1,727.0	1,016.1	103.3	78.5	5,018.3
2. Investing in Climate Change Adaptation	2,622.3	6,301.2	7,296.3	6,393.5	2,573.0	77.9	25,264.2
<b>Subtotal Investing in Sustainable Livelihoods</b>	<b>3,382.7</b>	<b>7,634.2</b>	<b>9,023.3</b>	<b>7,409.6</b>	<b>2,676.3</b>	<b>156.4</b>	<b>30,282.5</b>
<b>C. Project Management</b>	<b>1,329.4</b>	<b>679.3</b>	<b>724.5</b>	<b>676.4</b>	<b>701.0</b>	<b>754.3</b>	<b>4,864.9</b>
<b>Total PROJECT COSTS</b>	<b>7,121.2</b>	<b>11,366.8</b>	<b>11,970.7</b>	<b>10,193.8</b>	<b>5,542.0</b>	<b>3,149.7</b>	<b>49,344.3</b>

Component costs by project year are detailed in Table 5.

3. Total project cost is estimated at about USD 49.3 million (VND 1,032 billion). Physical and price contingencies make up about 2% of the total Project costs. Investments in infrastructure, co-financing, research and capacity building include no contingencies. The foreign exchange component is estimated at about 6% of the total Project costs. Taxes and duties make up approximately USD 2.3 million (3%). Funds allocated to the Project Management amount to USD 4.6 million or 9% of the total Project costs. Component costs by project year are detailed in Table 3.

**Table 3. Project Component Costs by Year (USD 000)**

	Totals Including Contingencies						Total
	2014	2015	2016	2017	2018	2019	
<b>A. Building Adaptive Capacity</b>							
1. Climate Change Knowledge Enhancement	1,138.9	2,066.0	1,218.4	1,006.8	941.0	611.1	6,982.2
2. Climate-Informed Planning	1,270.2	987.3	1,004.6	1,100.9	1,223.7	1,628.0	7,214.7
<b>Subtotal Building Adaptive Capacity</b>	<b>2,409.2</b>	<b>3,053.3</b>	<b>2,223.0</b>	<b>2,107.7</b>	<b>2,164.7</b>	<b>2,239.0</b>	<b>14,196.9</b>
<b>B. Investing in Sustainable Livelihoods</b>							
1. Rural Finance for Resilient Livelihoods	760.4	1,333.0	1,727.0	1,016.1	103.3	78.5	5,018.3
2. Investing in Climate Change Adaptation	2,622.3	6,301.2	7,296.3	6,393.5	2,573.0	77.9	25,264.2
<b>Subtotal Investing in Sustainable Livelihoods</b>	<b>3,382.7</b>	<b>7,634.2</b>	<b>9,023.3</b>	<b>7,409.6</b>	<b>2,676.3</b>	<b>156.4</b>	<b>30,282.5</b>
<b>C. Project Management</b>	<b>1,329.4</b>	<b>679.3</b>	<b>724.5</b>	<b>676.4</b>	<b>701.0</b>	<b>754.3</b>	<b>4,864.9</b>
<b>Total PROJECT COSTS</b>	<b>7,121.2</b>	<b>11,366.8</b>	<b>11,970.7</b>	<b>10,193.8</b>	<b>5,542.0</b>	<b>3,149.7</b>	<b>49,344.3</b>

4. Disbursement **Accounts and Rules**. The disbursement accounts and the financing rules (total allocation net of taxes) for each of the disbursement accounts are summarised in Table 4.

**Table 4: Disbursement Accounts and Financing Rules**

	Description	Financing Rules (total allocation net of taxes)
1.	Civil Works	For public infrastructure: IFAD Loan (50%), Government (40%) and Beneficiaries (10%); For office refurbishment and design and supervision: IFAD Loan (100%)
2.	Equipment, Goods and Vehicles	ASAP Grant/IFAD Loan (100%)
3.	Training and Workshops	ASAP Grant/IFAD Loan (100%)
4.	Technical Assistance	ASAP Grant/IFAD Loan (100%)
.	Research and Studies	ASAP Grant (100%)
6.	WCSG Financing	IFAD Loan (100%)
7.	CCA Go-financing	IFAD Loan (100%)
8.	Operating Expenses	IFAD Loan (100%)
.	Salaries and allowances	IFAD Loan (40%), Government (60%)

### III. FINANCING

5. An IFAD ASAP Grant of USD 12.0 million (24% of the total Project costs) will finance 71% of Component 1, 6% of Component 2 (15% of co-financing for CC adaptation at farm level) and 100% of Project M&E.
6. An IFAD Loan of US\$ 22 million, (45% of the total Project costs), will finance 25% of climate informed financing sub-component (USD 1.8 million), 100% of the rural finance for sustainable livelihoods sub-component (USD 5.0 million) 49% of the public investments in CC adaptation (USD 12.3 million), and 60% of the project management (US\$ 2.9 million).
7. Beneficiaries will provide approximately USD 7.8 million (15.7%) as co-financing through co-financing for climate smart rural investments and off-farm enterprises through, contribution in kind and their own cash or from credit.
8. The Government contribution is estimated at USD 7.6 million (15.3%) and includes contributions from its budget to cover part of public infrastructure costs (USD 2.9 million), 60% of staff salaries (USD 3.2 million) and all taxes (USD 1.5 million). Tables 5 and 6 summarize the Project financing plan.

**Table 5. AMD Financing Plan (USD 000')**

	IFAD Loan		GOV Taxes		GOV		ASAP Grant		Beneficiaries		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
<b>A. Civil Works</b>															
Civil Works	3,792.3	46.4	735.1	9.0	2,912.0	35.7	-	-	728.0	8.9	8,167.4	16.6	1,633.5	5,798.8	735.1
Design and Supervision	728.0	91.0	72.0	9.0	-	-	-	-	-	-	800.0	1.6	-	728.0	72.0
<b>Subtotal Civil Works</b>	<b>4,520.3</b>	<b>50.4</b>	<b>807.1</b>	<b>9.0</b>	<b>2,912.0</b>	<b>32.5</b>	<b>-</b>	<b>-</b>	<b>728.0</b>	<b>8.1</b>	<b>8,967.4</b>	<b>18.2</b>	<b>1,633.5</b>	<b>6,526.8</b>	<b>807.1</b>
<b>B. Equipment and Goods</b>	<b>801.0</b>	<b>39.5</b>	<b>182.6</b>	<b>9.0</b>	<b>-</b>	<b>-</b>	<b>1,045.0</b>	<b>51.5</b>	<b>-</b>	<b>-</b>	<b>2,028.5</b>	<b>4.1</b>	<b>602.0</b>	<b>1,244.0</b>	<b>182.6</b>
<b>C. Vehicles</b>	<b>65.7</b>	<b>50.0</b>	<b>65.7</b>	<b>50.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>131.4</b>	<b>0.3</b>	<b>39.4</b>	<b>26.3</b>	<b>65.7</b>
<b>D. Technical Assistance</b>	<b>1,459.4</b>	<b>59.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>988.6</b>	<b>40.4</b>	<b>-</b>	<b>-</b>	<b>2,447.9</b>	<b>5.0</b>	<b>506.6</b>	<b>1,941.4</b>	<b>-</b>
<b>E. Training</b>	<b>2,825.7</b>	<b>33.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,507.3</b>	<b>66.1</b>	<b>-</b>	<b>-</b>	<b>8,333.0</b>	<b>16.9</b>	<b>-</b>	<b>8,333.0</b>	<b>-</b>
<b>F. Research and Studies</b>	<b>-</b>	<b>-</b>	<b>271.5</b>	<b>10.0</b>	<b>-</b>	<b>-</b>	<b>2,443.7</b>	<b>90.0</b>	<b>-</b>	<b>-</b>	<b>2,715.2</b>	<b>5.5</b>	<b>-</b>	<b>2,443.7</b>	<b>271.5</b>
<b>G. WSGS Financing</b>	<b>3,567.0</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,567.0</b>	<b>7.2</b>	<b>-</b>	<b>3,567.0</b>	<b>-</b>
<b>H. CCA Co-financing</b>	<b>5,460.0</b>	<b>39.0</b>	<b>-0.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,500.0</b>	<b>10.7</b>	<b>7,040.0</b>	<b>50.3</b>	<b>14,000.0</b>	<b>28.4</b>	<b>-</b>	<b>14,000.0</b>	<b>-</b>
<b>I. Recurrent Costs</b>	<b>1,235.3</b>	<b>66.0</b>	<b>168.5</b>	<b>9.0</b>	<b>-</b>	<b>-</b>	<b>468.8</b>	<b>25.0</b>	<b>-</b>	<b>-</b>	<b>1,872.7</b>	<b>3.8</b>	<b>271.5</b>	<b>1,432.6</b>	<b>168.5</b>
<b>J. Salaries</b>	<b>2,065.7</b>	<b>39.1</b>	<b>0.0</b>	<b>-</b>	<b>3,168.7</b>	<b>60.0</b>	<b>46.8</b>	<b>0.9</b>	<b>-</b>	<b>-</b>	<b>5,281.1</b>	<b>10.7</b>	<b>-</b>	<b>5,281.1</b>	<b>-</b>
<b>Total PROJECT COSTS</b>	<b>22,000.1</b>	<b>44.6</b>	<b>1,495.4</b>	<b>3.0</b>	<b>6,080.7</b>	<b>12.3</b>	<b>12,000.1</b>	<b>24.3</b>	<b>7,768.0</b>	<b>15.7</b>	<b>49,344.3</b>	<b>100.0</b>	<b>3,052.9</b>	<b>44,795.9</b>	<b>1,495.4</b>

**Table 6: Financing Plan by Expenditure Accounts (USD)**

	IFAD Loan		GOV Taxes		GOV		ASAP Grant		Beneficiaries		Total			(Excl.	Duties &
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	For. Exch.	Taxes)	Taxes
<b>I. Investment Costs</b>															
<b>A. Civil Works</b>															
Civil Works	3,792.3	46.4	735.1	9.0	2,912.0	35.7	-	-	728.0	8.9	8,167.4	16.6	1,633.5	5,798.8	735.1
Design and Supervision	728.0	91.0	72.0	9.0	-	-	-	-	-	-	800.0	1.6	-	728.0	72.0
<b>Subtotal Civil Works</b>	4,520.3	50.4	807.1	9.0	2,912.0	32.5	-	-	728.0	8.1	8,967.4	18.2	1,633.5	6,526.8	807.1
<b>B. Equipment and goods</b>	801.0	39.5	182.6	9.0	-	-	1,045.0	51.5	-	-	2,028.5	4.1	602.0	1,244.0	182.6
<b>C. Vehicles</b>	65.7	50.0	65.7	50.0	-	-	-	-	-	-	131.4	0.3	39.4	26.3	65.7
<b>D. Technical Assistance</b>															
International Technical Assistance	292.9	57.8	-	-	-	-	213.7	42.2	-	-	506.6	1.0	506.6	-	-
National Technical Assistance	1,166.5	60.1	-	-	-	-	774.9	39.9	-	-	1,941.4	3.9	-	1,941.4	-
<b>Subtotal Technical Assistance</b>	1,459.4	59.6	-	-	-	-	988.6	40.4	-	-	2,447.9	5.0	506.6	1,941.4	-
<b>E. Training, capacity development and information dissemination</b>	2,825.7	33.9	-	-	-	-	5,507.3	66.1	-	-	8,333.0	16.9	-	8,333.0	-
<b>F. Research, studies and surveys</b>	-	-	271.5	10.0	-	-	2,443.7	90.0	-	-	2,715.2	5.5	-	2,443.7	271.5
<b>G. WSCG Financing</b>	3,567.0	100.0	-	-	-	-	-	-	-	-	3,567.0	7.2	-	3,567.0	-
<b>H. CCA Co-financing</b>	5,460.0	39.0	-0.0	-	-	-	1,500.0	10.7	7,040.0	50.3	14,000.0	28.4	-	14,000.0	-
<b>Total Investment Costs</b>	18,699.1	44.3	1,326.9	3.1	2,912.0	6.9	11,484.5	27.2	7,768.0	18.4	42,190.5	85.5	2,781.4	38,082.2	1,326.9
<b>II. Recurrent Costs</b>															
<b>A. Salaries /a</b>	2,065.7	39.1	0.0	-	3,168.7	60.0	46.8	0.9	-	-	5,281.1	10.7	-	5,281.1	-
<b>B. Operation and Maintenance</b>	1,235.3	91.0	122.2	9.0	-	-	-	-	-	-	1,357.5	2.8	271.5	963.8	122.2
<b>C. Other Operating Costs</b>	-	-	46.4	9.0	-	-	468.8	91.0	-	-	515.2	1.0	-	468.8	46.4
<b>Total Recurrent Costs</b>	3,301.0	46.1	168.5	2.4	3,168.7	44.3	515.6	7.2	-	-	7,153.8	14.5	271.5	6,713.7	168.5
<b>Total PROJECT COSTS</b>	22,000.1	44.6	1,495.4	3.0	6,080.7	12.3	12,000.1	24.3	7,768.0	15.7	49,344.3	100.0	3,052.9	44,795.9	1,495.4

9. Detailed AMD project cost tables are contained in the PLF.

## Appendix 10: Financial and Economic Analysis

### PROJECT BENEFITS

1. The project is expected to lead to increased resilience of poor smallholders to climate change, through (i) improved land management and climate resilient agricultural practices and technologies; (ii) increased availability of water and efficiency of water use for smallholder agriculture production and processing; (iii) increased human capacity to plan for and manage short- and long-term climate risks and reduce losses from weather-related disasters; and (iv) rural infrastructure made climate-resilient.
2. The project will provide access to new assets and technologies that would allow small farmers to adapt to climate change, by changing their production systems from rice to other more saline and temperature tolerant crops in those areas where climate conditions are likely to make the current systems unviable in the mid and long term (especially in coastal areas). The cost of making these changes would be supported through the provision of co-financing. As a result, farmers' resilience would be increased by reducing risks through crop diversification.
3. In addition, AMD will allocate a significant amount of funds to research and studies, with the aim of developing and piloting innovations in agriculture and aquaculture that would enable farmers to maintain their present income generating activities without incurring in economic losses due to climate change impacts. These research activities, financed entirely by the ASAP grant, will primarily focus on (i) the utilization of new rice varieties and saline tolerant crops; (ii) the development of a saline tolerant strains of aquaculture species; (iii) improvement of practices and management systems in both agriculture and aquaculture; (iv) the introduction of new business models that are responsive to new climate smart production systems and minimize negative environmental externalities derived from these activities (such as the use of aquaculture farming sludge as a fertiliser in dry agriculture). Systematization and dissemination of research results will generate benefits based on increased productive efficiency and avoided production losses.
4. The project will also provide co-financing for (i) farm-level commercial investments, such as small hatcheries for shrimp, fish, clams, commercial crop seed production and tree nurseries, and adoption of Better Management Practices (BMPs), that will result in reduction of costs and increased value of production; and for (ii) off-farm enterprises, such as input suppliers and processing and storage facilities for farm and aquaculture produce, that will contribute to employment generation for the most disadvantaged rural households, especially women, ethnic minority people and the landless.
5. The project will directly finance investments in public infrastructure, e.g. establishment of a shrimp seed quality evaluation and certification centre, upgrading of community identified salinity barriers (such as dykes and irrigation schemes), enhancement of household and community water supply through rainwater collection and treatment of brackish water, sewerage and waste management to reduce pollution, etc., that will be implemented in conjunction with the above mentioned commercial investments. Further, AMD will support knowledge management and information by enhancing applied research capacity at Tra Vinh University and financing the expansion of an automated salinity monitoring system that provides real time data on salinity levels to sluice gate operators and disseminate information to farmers via SMS. The combination of enhanced information and infrastructure investments will generate further benefits from avoided production losses.
6. All these benefits will be additionally supported and made sustainable by improving climate change governance, through policy dialogue at all levels and institutionalization of pro-poor, climate smart development in the SEDP planning processes.
7. Ben Tre and Tra Vinh provinces present a variety of economic opportunities; however, no specific set of interventions is appropriate for the area as a whole. Each province/commune needs

to critically assess its comparative advantage and to identify the most effective strategies and interventions to best realise their goals and aspiration. In some cases, however, provision of public services, for example, infrastructure would be a necessary ingredient for success, i.e. the public/private collaboration. The required infrastructure investment would be strategic in nature to facilitate and induce a more profitability level of farming and other business investment. Importantly, the aim of any critical assessment would be to understand what range and type of actions might be taken, consistent with the achievement of the goals/aspirations.

8. The models presented below are for demonstration purposes only. They also estimate average incremental net benefits per USD 1 of investments that would be used for the calculation of an overall incremental benefit stream of the project.

## FINANCIAL ANALYSIS

9. Fifteen production, farm and enterprise models have been prepared to illustrate examples of activities that may be supported by AMD. These models are organized into four categories that reflect different areas of project intervention, as follows:

- a) **Changes in production systems**, whose incremental benefits derive from switching from two crops of rice per year to cultivation of alternative crops: coconut intercropped with sugarcane, coconut intercropped with cacao and rotation of rice and shrimp.
- b) **Changes in rice production technology**, from traditional 2-crop cultivation to System of Rice Intensification (SRI) and utilization of saline and temperature resistant varieties combined with
- c) **Improved management practices in other systems**, which provide an example of improved extensive shrimp farming in brackish areas (through the use of certified post-larvae) and an improved irrigation system for vegetables.
- d) **Farm and off-farm enterprise models**, that illustrate the establishment of the following facilities through Public-Private Collaborations (PPCs): a coconut processing plant, a cacao post-harvest facility for a Common Interest Group (CIG) of farmers, a crab nursery, a clam nursery, and a backyard shrimp hatchery.
- e) In order to better reflect the reality in the Mekong Delta area, where the average size of smallholder farms is generally smaller than one hectare, four **Small Producer Models** are presented to show the prospective benefits and rate of return for two 0.3 ha and two 0.5 ha systems.

## KEY ASSUMPTIONS

10. The parameters for the models are based on information gathered during the design missions: interviews with farmers and entrepreneurs, information from the IFAD's IMPP and DBRP documents, data obtained from donor agencies operating in Viet Nam, and mission estimates. In particular, information on labour and input requirements for various operations, capital costs, prevailing wages, yields, farm gate and market prices of commodities, input and farm-to-market transport costs were collected. Conservative assumptions were made both for inputs and outputs, and to take account of possible risks.

11. **Incremental benefits:** since the "without project" in a climate change context is not a 'static' but an evolving process, the analysis is based on the comparison between the benefit stream under the two scenarios (adaptation vs. no adaptation) over the projected 20 year period. The 'with project' situation has been calculated considering the mix of interventions recommended for the project area in terms of crop change/diversification and technology changes.

12. Rice productivity: although the impacts of climate change on rice productivity are not easy to forecast in the mid- to long-term, research on past trends and studies as well as on future prospects under different scenarios allow for some estimations. The following assumptions have been made in this analysis:



- a) An annual decrease of 0.6% in winter rice yields has been estimated, adding up to a 15% decrease after 20 years and a 30% decrease in 2050. This is consistent with the findings of a research carried out by JICA<sup>63</sup> in the project area, where yield losses by saline intrusion have been forecasted at 40% only by saline intrusion, neglecting the effect of higher temperatures and Sea Level Rise (SLR).
- b) Evidence from field visits undertaken during the project design missions show that total crop failure is becoming more frequent in the project area. For instance, about 70% of winter paddy harvest was lost in Tra Vinh on the area of 8,000 hectares in 2011 due to saline intrusion. In order to reflect this circumstance, the 'without project' situation in the rice models take into account a crop failure probability that ranges between 20% in 2014 and 30% after 20 years (2033).
- c) Summer rice yields remain constant, since salinity intrusion occurs only during the dry season.

13. **Discount rate:** based on the commercial bank prime lending rate for Vietnam of 15% per annum for 2013 and an inflation rate of 7%, an annual real discount rate of 8% was used for discounting the flows of future costs and benefits in the financial analysis.

14. Matching grants (project co-financed investments): a competitive co-financing allocation mechanism will cover a maximum of 50% of the total costs of each on-farm investment, for a maximum value of USD 1,500 per household or USD 37,500 per farmer cooperative, with beneficiaries financing in kind up to 30%. The remainder 20% will be covered by cash, most likely as a medium-term loan.

15. Short and medium term loans: the length of the short-term loans to finance working capital is up to one year. Medium-term loans are expected to be repaid in equal instalments over an up to five year period, depending on the investment. The medium-term loans were assumed to have a one year grace period. Interest on the entire amount outstanding would be paid during the grace period.

## PRODUCTION, FARM AND ENTERPRISE MODELS

16. The tables 1 to 4 below summarize the results from the four types of project interventions mentioned above, including four small producers' models.

### 17. *Changes in production systems:*

- a) Results from the analysis demonstrate that switching from rice to other production systems is not only inevitable due to climate change, but also a worthy investment. Intercropping coconut with cacao seems to be the most profitable alternative, with an NPV incremental benefit of USD 3,520, a 12.4 cost/benefit ratio, a 14% IRR, and a USD 35.6/day return to family labour. An additional benefit is employment generation of about 100 person-days a year for various operations.
- b) Extensive shrimp cultivation combined with paddy production is the most suitable adaptation measure in areas closer to the coast where salinity level are higher than 4 g/l during most of the dry season. The model shows an NPV incremental benefit of USD 1,579, a 15% IRR, a 3.5 cost/benefit ratio and a USD 8.5/day return to family labour.
- c) Intercropping sugarcane with cacao is equally recommended and has the additional advantage of allowing farmers to diversify risks from the very high exposure to price fluctuations of these two commodities in the international market. The model shows an NPV incremental benefit of USD 355, a 16% IRR, an 8.14 cost/benefit ratio and an outstanding USD 117.8/day return to family labour.

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<sup>63</sup> The Project for Climate Change Adaptation for Sustainable Agriculture and Rural Development in the Coastal Mekong Delta in Vietnam. JICA 2013.

18. **Changes in rice production technology:** the utilization of saline and high temperature tolerant rice variety would reduce crop failures and maintain rice productivity. The SRI approach has the double advantage of **increasing** yields and making rice production more sustainable, by reducing irrigation and farm inputs (water, fertilizers and pesticides). The NPV of the incremental incomes are positive in both cases and higher for the improved variety of rice (USD 5,497 vs. USD 4,504).

19. Improved **management practices in other systems:**

- a) Shrimp farming has proven to be very profitable in the Mekong Delta, but also very prone to disease outbreaks. Benefits of this model derive from the use certified post-larvae and better management practices that would reduce shrimp mortality. The model shows an NPV of USD 10,517, a 5.19 cost/benefit ratio and a USD 18.4/day return to family labour.
- b) The project will support investments in more water efficient irrigation techniques. This model illustrates a real example of an improved irrigation system tested by DARD irrigation engineers, which reduces water consumption and electricity costs and enables a more efficient use of fertilisers and pesticides. The model shows an NPV of USD 563, a 17% IRR, a 2.03 cost/benefit ratio and a USD 44.4/day return to family labour.

20. **Farm and off-farm enterprise models** provide examples of investments likely to be financed through the co-financing of value chain adaptation investments:

- a) Farm level commercial investments include small hatcheries for shrimp post-larvae production and nurseries for crab and clam seed production that would reduce the dependence on external seed supplies, decrease mortality rates and reduce transport costs. IRRs range from 14% to 69%, demonstrating the attractiveness of these types of investment. NPVs range from USD 5,797 to USD 146,068.
- b) Off-farm enterprises such as small coconut processing plants are a major generator of rural employment. [Establishment of cacao post harvest facilities for CIGs \(10 farmers with 0.1 hectares each\)](#) will enable farmers to sell dry cocoa at a much higher price than wet cocoa, and will also reduce post harvest losses and increase farmer's bargaining power by marketing the produce as a group. FIRR of these activities are 27% and 36%, respectively, while NPVs are USD 87,439 and USD 1,454. An additional benefit is employment generation in the coconut processing: about 51 persons for six months each.

21. **Summary.** The main result of the financial analysis include: (i) a significant increase in gross and net returns from each model comparing with and without-project situations; (ii) high benefit/cost ratios illustrating the worthiness of the investments. The NPV ranges from USD 111 to USD 146,068, while, the IRRs from 14% to 69%, which are much more conservative compared to those estimated in the Assessment Report of the IMMP in Ha Tinh (July 2012). The analysis showed that the models are more sensitive to changes in both yield and price assumptions than they are to variations in investment and operating costs. Sensitivity analysis also showed that all models, except for the coconut and cacao processing plants, will remain attractive even if costs increase by average 45% or benefits decrease by average 25%. Unlike the others, these operations depend on purchasing of raw materials. Changes in input prices of raw materials would be offset by a similar adjustment in the output price. Therefore, changes in the input prices would, in general, have little effect on these models.

22. The rice producer model in the without project situation represents a typical existing household in the project area producing around 3 tons of paddy rice on about 0.3 ha of land. The analysis shows that the project would enable the poor households to increase their annual net incomes from current USD 649 to average USD 959, an increase of 48%.

23. The indicative models both at farm and rural enterprises levels show a positive impact on employment. Hired labour details for each of the models are described in Working Paper 2 (Project Life File). Favourable cash flows from the possible project financed investments indicated that the

improvements in incomes at the farm/rural enterprise levels would be sufficient to ensure uptake of the proposed activities. Also, a beneficiary's contribution is likely to translate into a high degree of economic attractiveness. Detailed business proposals would be required for each micro-project.

**Table 1: Changes in production systems and rice production technology (USD)**

Rice production	NPV Revenues		NPV Total costs		NPV Net income		NPV	FIRR	Returns to family labour		Cost/benefit ratio
	WOP	WP	WOP	WP	WOP	WP			WOP (yr 20)	WP (full dev)	WP
Changes in production systems (1ha)											
2 crops of rice to coconut intercropped with sugarcane	36,578	28,095	13,444	4,605	23,134	23,490	356	16%	5.8	117.8	8.14
2 crops of rice to coconut and cacao	36,578	30,523	13,444	3,868	23,134	26,654	3,520	14%	5.8	35.6	12.39
2 crops of rice to summer rice and improved extensive shrimp systems	36,578	44,884	13,444	20,170	23,134	24,714	1,579	15%	5.8	8.5	3.52
Changes in technology and improved management practices (1ha)											
System of Rice Intensification	42,609	42,224	13,444	14,585	23,134	27,639	4,504	62%	5.8	9.9	3.14
Improved saline and high temperature tolerant variety	36,578	42,224	14,285	14,434	22,293	27,790	5,497	N/A	5.6	7.6	2.93

**Table 2: Improved management practices in other production systems (US\$)**

Other production systems	Gross Revenues		Total costs		Net Income		NPV	FIRR	Returns to family labour		Cost/benefit ratio
	WOP	WP	WOP	WP	WOP	WP			WOP	WP (full dev)	
Adoption of improved management practices (1 ha)											
Improved extensive shrimp farming in brakish area (certified post-larvae and better management practices)	5,714	6,857	1,249	1,321	4,465	5,536	10,517	#NUM!	14.8	18.4	5.19
Peanuts and watermelon: improved irrigation system (1 ha)	1,238	1,238	756	609	482	629	563	17%	11.8	44.4	2.03

**Table 3: Small producer models for agriculture and livestock (USD)**

Farm Models (Small producers)	Estimated Investment Costs (US\$)				Annual Net Benefits (US\$)			Incremental annual net benefits per 1 USD of investment (US\$)	Return to family labour, USD/day	FIRR (%)	NPV (US\$)
	Beneficiary Cash Contribution/ Loan	Project Grant	Beneficiary Contribution	Total	Without Project	With Project -Full Development	Incremental				
2 crops of rice to coconut intercropped with sugarcane *	69	173	104	346	642	707	65	0.19	117.8	16%	111
2 crops of rice to coconut and cacao *	59	147	88	295	643	1,101	458	1.55	35.6	14%	1,048
2 crops of rice to summer rice and improved extensive shrimp systems *	190	476	286	952	1,072	1,712	640	0.67	8.5	15%	790
Peanuts and watermelon: improved irrigation systems	95	238	143	476	241	315	74	0.15	44.4	17%	281

**Table 4: Farm and off- farm enterprise models (USD)**

Farm and off- farm enterprise models	Estimated Investment Costs (US\$)				Annual Net Benefits (US\$)			Incremental annual net benefits per 1USD of investment (USD)	FIRR	NPV (US\$)
	Beneficiary Cash Contribution/ Loan	Project Grant	Beneficiary Contribution	Total	Without Project	With Project -Full Development	Incremental			
<u>Establishment of coconut processing plant</u>	10,450	26,124	15,674	52,248	0	17,448	17,448	0.33	27%	87,439
<u>Establishment of cacao post harvest facilities for CIG (10 farmers with 0.1 ha each)</u>	177	443	266	886	1,245	1,482	237	0.27	36%	1,454
<u>Establishment of clam nursery</u>	7,666	19,165	11,499	38,330	0	20,701	20,701	0.54	64%	146,068
<u>Establishment of crab nursery</u>	1,981	4,952	2,971	9,905	0	5,238	5,238	0.53	69%	38,919
<u>Establishment of shrimp hatchery</u>	2,724	6,810	4,086	13,619	0	2,488	2,488	0.18	14%	5,797

## PUBLIC INFRASTRUCTURE MODELS

24. The project would support the design and construction of climate resilient, commercially viable public investments which would enable communities to adapt to climate change effects. Examples include rehabilitation of irrigation schemes, construction and upgrading of small dykes, and other locally identified salinity barriers and water management structures that may be used to protect from saline intrusion. However, this should only be carried out in conjunction with the adoption of improved irrigation techniques and will generally be of a small-scale nature.

25. The project would finance up to 90% of the cost of the investment, with the balance to be contributed by the hosting community or local authority. A system of appraisal and prioritization of these investments would be developed and applied, to ensure technical viability, climate change relevance and efficient contribution to income development for poor households, as well as a means of ensuring operation and maintenance to required standards.

26. Two infrastructure investments were modeled:

- a) Rehabilitation of a dyke
- b) Rehabilitation of an irrigation scheme

27. The first model shows the possible benefits that would arise from rehabilitating a dyke to protect 150 hectares of intensive sugarcane production for about 325 households. Sugarcane has a low tolerance to salinity and its sugar content (and subsequent value and sale price) are affected by salt accumulation. In this example, benefits accrue from maintaining sugar content at 10 ccs, versus the decrease to 8 ccs, which would happen without the dyke.

28. Total investment costs<sup>64</sup> are USD 235,714 including a 10% allowance for project design and supervision. Incremental annual net benefits per 1USD of investment are 0.53, generating an IRR of 48% and NPV of USD 854,938. Estimations are conservative since incremental benefits do not include potential yields losses that may occur in addition to decreases in production value.

29. The other model illustrates the potential benefits that would occur from rehabilitating an irrigation scheme that covers an area of 153 ha planted with winter-spring and summer rice crops. In these examples, incremental net benefits would derive from avoided losses in winter crop yields by controlled saline intrusion and improved water use efficiency for around 700 households.

30. Investments costs are around USD 252,000 for the irrigation rehabilitation scheme, including a 10% fee for project design and supervision. Incremental annual net benefits per 1USD of investment are 0.35, generating an IRR of 30% and NPV of USD 496,314.

31. The switching value method applied to test the robustness of the investment show that neither of these models are sensitive to decreases in benefits, increases in costs, or to delays in benefits.

32. More information on costs and benefits can be found in tables 5 and 6 below, and in Working Paper 2 (PLF).

**Table 5: Summary of Infrastructure Models (USD)**

Infrastructure Models	Estimated Investment Costs (US\$)			Annual Net Benefits at Full Development (US\$)	Incremental annual net benefits per 1US\$ of investment (US\$)	FIRR (%)	NPV (US\$)
	Project Grant	Local Government Contribution	Total				
Rehabilitation of dyke	212,143	23,571	235,714	125,000	0.53	48%	854,938
Rehabilitation of an irrigation scheme	226,611	25,179	251,790	87,691	0.35	30%	496,314

## ECONOMIC ANALYSIS

<sup>64</sup> An investment on this scale is likely to be an inter-commune investment.

33. **Benefit stream:** The analysis attempts to identify quantifiable benefits that relate directly to the activities undertaken following implementation of the components, or that can be attributed to the programme's implementation, taking into account the following parameters:

- a) Economic incremental benefits from changes in production systems and rice production technology have been calculated as the difference between the 'without project' and 'with project' situation, considering the expected investments in the project area, and taking into account the phasing-in of investments.
- b) The illustrative models described above have been used for the calculation of the overall benefit stream, on the basis of economic prices. Considering these examples as a reasonable assumption of the investments likely to be implemented, estimated average incremental annual net benefits per 1 USD of investments are used.
- c) In particular, an average indicator for the incremental annual net benefits per USD 1 of investments equals to USD 0.56 for Public-Private Collaboration Investments, USD 1.6 for Climate Change Adaptation Investments and USD 0.40 for Value Chain Adaptation Investments.
- d) The incremental net benefits were calculated by multiplying these indicators with the amount of estimated investments, but considering the gradual increase of such benefits.
- e) An 80% success rate was applied to the models, i.e. it is assumed that only 80% of the investments would achieve the estimated returns.
- f) No financing flows have been undertaken in the calculations as they are either already reflected in the project costs (the AMD financing and beneficiary's contribution for the investment costs) or represent transfer payments (taxes).
- g) The incremental net benefits are calculated for a period of 20 year, with a gradual phasing of benefits that reaches 100% in year 20.

34. **Labour:** the economic price of labour has been estimated at 90% of its financial price, based on the prevailing unemployment and underemployment rates in rural areas Mekong River Delta (2.59 and 5.39 % respectively<sup>65</sup>).

35. **Cost Stream:** the incremental costs in economic prices have been calculated by the removal of price contingencies and taxes/duties. O&M costs for infrastructure have been counted in the calculation of the net incremental benefits of individual infrastructure models. The total economic cost of the project amounts to about USD 46.9 million.

36. Discount **rate** is estimated at 12% (World Bank).

### Results of the analysis:

37. Overall Estimated Return of the Proposed Project. The period of analysis is 20 years to account for the phasing and gestation period of the proposed interventions. Given the above benefit and cost streams, the base case economic rate of return (ERR) is estimated at 17.5%. The base case net present value of the project's net benefit stream, discounted at 12%, is USD 14.6 million. The summary of economic analysis is presented in Table 7.

38. Sensitivity Analysis. Sensitivity analysis assessed the effect of variations in benefits and costs and for various lags in the realisation of benefits. The results are presented below. A fall in total project benefits by 20% and an increase in total project costs by the same proportion would reduce the base IRR to about 13%.

39. The switching value for total project benefits is about 25%, while for project costs it is approximately 41%. A one-year delay in project benefits reduces the IRR to 15%. With a two-year delay in project benefits, the IRR falls to approximately 13%.

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<sup>65</sup> Source: General Statistics Office of Vietnam

**Table 6: Sensitivity Analysis and Switching Values (USD)**

Sensitivity Analysis ( 20-year period)	Base case	Costs Increase			Increase of Benefits		Decrease of Benefits			Delay of Benefits	
		+10%	+20%	+50%	+10%	+20%	-10%	-20%	- 30%	1 year	2 years
<b>IRR</b>	<b>17.5%</b>	16%	15%	11%	19%	21%	16%	14%	12%	15%	13%
<b>NPV (000'USD)</b>	<b>14,616</b>	11,266	7,915	-2,137	19,428	24,241	9,804	4,992	168	7,921	2,002
Discount rate		12%									

**Table 7: Economic Analysis – Costs and Benefits Stream ('000 USD)**

(USD thousand)	PY1	PY2	PY3	PY4	PY5	PY6	PY7	PY8	PY9	PY10	PY11	P12	PY13	PY14	PY15	PY16	PY17	PY18	PY19	PY20
<b>Programme Benefits</b>																				
Net Benefits of PPCI	0	149	607	1,426	2,305	3,103	3,539	3,685	3,685	3,685	3,685	3,685	3,685	3,685	3,685	3,685	3,685	3,685	3,685	3,685
Net Benefits of CCAI	64	321	770	1,411	2,052	2,694	3,335	3,976	4,618	5,259	5,900	6,542	7,183	7,825	8,466	9,107	9,749	10,390	11,031	11,673
Net Benefits of VCIs	0	51	204	484	840	1,120	1,248	1,273	1,273	1,273	1,273	1,273	1,273	1,273	1,273	1,273	1,273	1,273	1,273	1,273
<b>Total Programme Net Benefits</b>	64	520	1,580	3,320	5,198	6,918	8,122	8,934	9,576	10,217	10,858	11,500	12,141	12,782	13,424	14,065	14,707	15,348	15,989	16,631
<b>Programme Costs</b>																				
Investment Costs	6,792	10,914	11,520	9,797	5,094	2,813														
Replacement of Goods and Equipment*						0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Recurrent Costs*						0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Programme Costs</b>	6,792	10,914	11,520	9,797	5,094	2,813	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Programme Incremental Net Benefits</b>	-6,728	-10,393	-9,940	6,477	104	4,105	8,122	8,934	9,576	10,217	10,858	11,500	12,141	12,782	13,424	14,065	14,707	15,348	15,989	16,631
IRR	17.5%																			
NPV @12% (USD thousand)	14,616																			

\* Replacement and recurrent costs are already included in calculation of net benefits from investments



## Appendix 12: Compliance with IFAD policies

- 1 Key IFAD policies that have guided the design of the AMD are found in the COSOP 2012-2017. In summary, these are:
  - a Focus of Investment. The ADP will continue to focus on market-led innovations for smallholder agriculture; pilot activities such as farmer group formation and empowerment, decentralized service delivery, productivity improvement and market integration and pro-poor value chain development; with a greater emphasis on up-scaling pilots through local-level institutional and policy reforms.
  - b The AMP is compliant with all three strategic objectives elaborated in the COSOP.
    - i SO1: Enable poor rural provinces to carry out market-led, pro-poor rural Development. This objective is satisfied through the provincial approach using the market-oriented SEDP and the Value Chain Approach.
    - ii SO2: Improve access of poor rural people – particularly women – to commodity and labour markets. This objective is satisfied through the targeting methodology, ensuring representation of the poor in planning forums and a range of pro-poor engagement products, particularly those involving provision of rural financial services.
    - iii SO3: Enhance the capacity of poor rural households to adapt to CC. This objective is satisfied through the outcome employed to finance CC adaptation (output 3.2).
  - c Opportunities for Innovation and Up-Scaling. Innovations already piloted in the fields of rural finance, SEDP, private sector engagement and market and value chain development will be up-scaled through the project. New innovations involving contract farming and climate smart agriculture will be commenced.
  - d The nature of the proposed primary target group will be poor rural households, composed mainly of subsistence farmers, wage labourers, landless people and market-participant smallholder farmers. The target group will also include “near poor” households, which are an income group increasingly vulnerable to shocks, especially those associated with climate risk. This group will include the under-privileged ethnic minorities. Finally, specific provisions will be made to ensure the full participation of women and youth. All of these target group characteristics are consistent with IFAD policy.
- 2 Compliance with ASAP<sup>66</sup>. The challenge of CC-related hazards is hitting smallholder farmers especially hard, but international climate finance is adequate for them to enable investment in effective adaptation. Losses and damage from extreme weather events keep increasing, as the patterns of droughts, floods and tropical storms are becoming more unpredictable. In parallel, the creeping effects of erosion, land degradation and loss of biodiversity undermine rural livelihoods. The Adaptation for Smallholder Agriculture Programme (ASAP) is a programme launched by IFAD in 2012 to channel climate and environmental finance to smallholder farmers so that they can increase their resilience and adapt effectively. The objective is to improve the climate resilience of large-scale rural development programmes and improve the capacity of smallholder farmers to expand their options in a rapidly changing environment. Through ASAP, IFAD is driving major up-scaling of successful “multiple-benefit” approaches to increase agricultural output while simultaneously reducing vulnerability to climate-related risks and diversifying livelihoods.
- 3 Examples of ASAP-supported initiatives include:
  - a Farming systems which can help increase agricultural productivity while at the same time diversifying risks across different products;

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66 Derived from material at <http://www.ifad.org/climate/asap/>

- b** Systems of crop rotation which can reduce exposure to CC threats while also improving family nutrition; and,
  - c** A combination of technologies which can improve the quality of soils, increase the availability of water during dry periods, and provide additional income.
- 4** ASAP will empower community-based organisations to make use of new climate risk management skills, information and technologies. These can include improved weather station networks providing farmers with more reliable seasonal forecasts and cropping calendars. It blends tried and tested 'no regrets' approaches to rural development with modern adaptation know-how to increase the climate resilience of IFAD's new investments. All these principles and policies are embedded within the AMD.
- 5** Compliance with IFAD Strategic Framework. For many small farmers and livestock producers, agriculture can provide a robust pathway out of poverty. But small-scale agriculture must be market-oriented to capture the opportunities afforded by growing demand for agricultural products. It needs to be more productive and sustainable and to become more resilient to a changing climate. Finally, it needs to be integrated into dynamic rural spaces where rural-urban linkages play an ever greater role, and where non-farm activities within and around agricultural value chains increasingly provide employment and entrepreneurial opportunities for many poor rural people.
- 6** At the programme and project level, the SF emphasis includes increased efforts on:
  - a** Enhancing environmental sustainability and resilience in small-scale agriculture;
  - b** Supporting the development of technologies for sustainable intensification of small-scale agriculture; and,
  - c** Increasing the capacity of financial institutions to provide a broad range of inclusive services to poor rural people.
- 7** In terms of thematic engagement, the SF requires continued project focus on:
  - a** Natural resources – land, water, energy and biodiversity;
  - b** CC adaptation and mitigation;
  - c** Improved agricultural technologies and effective production services;
  - d** A broad range of inclusive financial services;
  - e** Integration of poor rural people within value chains;
  - f** Rural enterprise development and non-farm employment opportunities;
  - g** Technical and vocational skills development; and,
  - h** Support to rural producers' organizations.

It will also include the Environmental and Social Review Note.



