

SOCIALIST REPUBLIC OF VIET NAM

**PRO-POOR PARTNERSHIPS FOR AGRO-FORESTRY
DEVELOPMENT**

MID-TERM REVIEW REPORT

Main Report and Appendices

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SOCIALIST REPUBLIC OF VIETNAM
PRO-POOR PARTNERSHIPS FOR AGRO-FORESTRY DEVELOPMENT
IN BAC KAN (IFAD LOAN 768-VN)
MID-TERM REVIEW MISSION: 07 to 17 May 2012

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Main Report

A. Introduction

1. The Mid-Term Review¹ of the Project “Pro-poor Partnerships for Agro-Forestry Development in Bac Kan (3PAD)” was carried out to: (i) review progress and impacts as against project objectives; (ii) revisit design features and log-frame targets to assess their continued relevance and make adjustments where necessary, (iii) agree with the PPMU and Provincial authorities on priorities and next steps for implementing the 3PAD approach, while ensuring achievement of the objectives of poverty reduction and sustainability of the project innovations that have worked; (iv) strengthen interagency coordination and promote ownership of project activities by existing government programmes and agencies; (v) develop an exit strategy for the project and up-scaling of project activities; and (vi) address lags in disbursement and implementation progress.
2. 3PAD has a **six year gestation period**. The loan became effective on 27/05/2009 and is scheduled to be completed 30/06/2015. The Provincial Peoples Committee (PPC) is the executing agency whereas Department of Planning & Investment is the implementing agency through a dedicated Project Implementation Unit (PIU). Project activities are executed by five government departments and coordinated by PIU. The project has a total cost of \$25.33 million, of which \$21 million is financed by an IFAD loan; \$0.65 from Global Environment Facility (GEF) grant; and \$3.68 million from the Government of Vietnam (GoVN) and from beneficiary contributions. Project activities cover three poorest districts, 48 communes and 542 villages. Key project objectives include: i) equitably allocate and sustainably manage forestry land resources; and ii) sustainably improve livelihoods of the rural poor through investments in infrastructure, human capacity development, better technology and agro-forestry business management practices and effective service delivery systems.

B. Overall Assessment of Project Implementation Progress

3. *3PAD project progress can be assessed as moderately satisfactory over the first three years of implementation.* Overall financial progress is 22% (32% if the disbursed and pipeline disbursements for completed works are considered) against IFAD loan specified threshold of minimum 28% for the project at this stage. This progress appears reasonable if viewed in the context of participatory development approach of the project and the capacity challenges in a province that was established just 15 years ago. Provincial leadership and other stakeholders at the lower level appear committed and enthusiastic however certain design/approach inadequacies, restrictive interpretation of PIM and inadequate planning has constrained the project from realizing full potential.
4. All the required implementation institutions, regulations and implementation manuals have been deployed within reasonable time. Except for international TA, most of the national TA has been engaged on schedule. AWP/B and flow of funds mechanism has been reasonably efficient. Submission of timely withdrawal applications and adequate liquidity has been ensured. An efficient and transparent accounting system has been established at PIU and the implementing agency level (DARD however needs some improvement). Audits have been conducted on time and findings have consistently been positive. The PIU is well staffed and ably led by the Project Director under guidance from Steering Committee. Staff stability at provincial level has remained reasonable but frequent staff turnover at District and Commune levels and resultant capacity issues have remained a cause of concern and need to be guarded against in future.

^{1/} Mission consisted of Rab Nawaz, Mission Leader/Poverty Reduction Specialist, Mr. Nguyen Thanh Tung, Institutions Specialist, Mr. Tran Dai Nghia, Agro-Forestry Specialist, Mr. Tran Nam Binh, Value Chain & Private Sector Development Specialist, Mr. Tran Ngoc Thinh, Poverty Targeting, M&E and Microfinance Specialist, Mr. Le Thanh Luu, Aquaculture Specialist, Ms. Irene Li & Ms. Nguyen Thu Hoai, Financial Management Specialists and Ms. Bac Anh Hong, Interpreter.

5. In qualitative terms, there are number of areas of concern in terms of project design vis-a-vis requirements of project purpose and objectives. The project is aimed at developing Pro-Poor Partnerships for agro-forestry development. However, the tools, approach and interventions adopted for developing such pro-poor partnerships at provincial, district and commune level have proven to be inadequate. The approach is still more subsidy driven and less based on participation, ownership and empowerment. Project has an agro-forestry centered focus which, in its current shape and approach, offers limited choices in terms of demand-driven rural livelihoods development, especially for the landless and remote uplands communities. Coordination, sequencing and integration of activities, spread over three different inter-linked components and under the care of five different agencies, has also remained weak. Another major weakness is lack of effective strategy for priority targeting of the poor upland villages and poorer households within those villages. The existing Land Allocation Manual does not address the crucial question of allocation of forest land to the landless poor. Decentralized implementation and empowerment of communes and communities under Component 2 is needed to improve project impact. The existing regulations and processes adopted under Component 2 i.e. CDF, are too complicated and bureaucratic for the limited capacities at the Commune level. This is further compounded by non-provision of appropriate manpower in project design at District and Commune level for effective social mobilization and group formation under a well thought out community mobilization/participation strategy. Value chain development runs as an implicit thread throughout the three project components but has never been developed as a coherent strategy pulling together all the enabling interventions. *At this point, the likelihood of the project achieving its development objectives is moderately satisfactory.*
6. In the remaining period, the project will have to show considerable improvement in targeting the poorest villages and poorest households, deepening decentralized implementation approach and community empowerment. A provincial supportive policy would be required to address the question of allocation of forest land to the landless poor in upland villages. This policy needs to be promulgated on priority and existing Land Allocation Manual revised accordingly. Thus far, coverage of poor in community based groups like LARCs and CIGs has been inadequate and project activities have tended to gravitate towards easily accessible and relatively lower elevation villages. These would need to be addressed in post-MTR period through priority selection of poorest upland villages and poor households.
7. Against the total project budget of US\$ 25.33 million, CDF is the largest component with lowest progress and unless this component drastically improves, disbursement rate would remain slow. Technical studies have low disbursements and International TA funds have also not been optimally utilized. The balance international TA should now be dropped given the difficulties faced in mobilizing and the limited project period left. The funds for the same be reallocated for national TA and capacity development.

Agreed action	Responsibility	Agreed date
Revision of CDF Manual Completed to reflect changes agreed during MTR	PIU & PPC	20 Aug 2012
A plan for use of TA and Technical Studies Funds be prepared in light of needs identified during MTR for remainder of Project life and be updated each year including reallocation of balance Int. TA funds for national TA and Capacity Building activities	PIU	31 July 2012
PPC to ensure provision of counterpart funds at start of each quarter as per project AWP/B	DPI, PPC	First week of each quarter
Additional VND flows anticipated on account of exchange rate differential (around VND 49 billion) be accounted for during AWP/B preparation for remainder of the project	PIU	30 Sep each year

C. Outputs and Outcomes, by Component

8. **Component 1: Sustainable and Equitable Forest Land Management:** *Overall assessment of the component is moderately satisfactory.* Targeting of poor and landless could be improved.
9. **Sub-Component 1.1: Forestland Use Planning and Allocation:** Implemented by PIU and Department of Natural Resources & Environment (DONRE), the component has achieved 30% financial progress. In terms of physical progress, 46% of the appraisal target has been achieved. All training targets have been completed 100%. Forest land allocation planning has been completed for 78,531 ha, against the target of 72,000. Red books have been issued for 5,524 ha against the target of 12,000 ha (46%). Total 1,975 HHs have received Red Books of which 788 are poor and 394 Ethnic minorities. Red Book issuance process

needs to be expedited to ensure completion by mid 2014 so that beneficiaries have at-least one full year of focused project assistance available for agro-forestry development.

10. The main issues identified by MTR Mission are:

- i. Current Manual and strategy does not cater for the poorest of the poor (Mong, Dzao and other landless farmers) as a priority and largely benefits those farmers who have historic occupying rights on the land. Mong who migrated from Cao Bang in 1980s and living in the beneficiary communes have by and large been bypassed thus far.
- ii. There are reported be 70 villages where Mong and other ethnic groups live who have no historic claim on community forest land. If the current Manual and strategy is institutionalized in its current shape for province-wide replication, these poorest households would be permanently excluded.
- iii. Current Seven step manual does not clearly define the responsibilities of each stakeholder in a segregated manner and does not clearly address the project objective of prioritizing the needs of the poor and landless.
- iv. Multiple Redbooks are issued to beneficiaries who get more than one parcels of land
- v. DONRE is not part of consultant selection process carried out by PIU not it actively participates in many follow up activities
- vi. Flat rate payment of VND 60,000 per farmer adopted for any kind of participation in any activity being done for the farmers' own benefit which is unjustified and hurts volunteerism
- vii. Launch of Government's Programme 147 with a heavily subsidized grant-based approach has created negative competition for the Project and constrained physical and financial progress. Government is providing free inputs plus VND 500,000 per ha to beneficiaries for planting of forest under Programme 147.

Agreed action	Responsibility	Agreed date
Provincial Policy for allocation of land to landless will be promulgated	PPC	31 August
Revision of Forest Land Allocation Manual to reflect strategy and procedure for land allocation to the landless	PIU and DONRE	31 Dec 2012
Application of new policy and revised manual	PIU and DONRE	01 Jan 2013
DONRE to be notified as member of Consultant Selection Committee and also actively participates in all aspects of land allocation	PIU	Immediate
Flat rate payment of VND 60,000 to participating farmers be replaced with provisions for refreshments/food on need/nature/type of training basis	PIU and DONRE	Immediate
PSC to develop a proper coordination mechanism between 3PAD, Programme 147 and Programme 30-A to ensure there is no duplication and negative competition	PPC/PSC	Immediate

11. **Sub-Component 1.2: Forest Land Management:** Implemented by DARD through a 6 member PMU at provincial level, contracted service providers and district and commune staff. The sub-component is aimed at forestland biodiversity development and protection and forest-based livelihood development through training and demonstrations. The staff training and beneficiary training target have all been exceeded. However, progress on participatory biodiversity management plans remains slow. Against target of 40 Nurseries, 52 nurseries have been established. The sub-component has strong linkages with components 2 & 3 but the coordination between the three components is very weak and needs to be immediately improved.

12. The main issues are:

- i. DARD responsible for activities spread over three different budget tables in Appraisal report leading to confusions, oversights and lack of coordination even within DARD
- ii. Activities being done on land allocated under sub-component 1.1. Since the pro-poor focus is weak in that sub-component, the same weakness creeps in this sub-component as well.
- iii. At current pace, the management planning of remained forest area may only be completed by end of project. Area covered in the last year of 3PAD would have no opportunity to benefit from project's other extension support.
- iv. Coordination and cohesive implementation of activities under Component 1, 2 and 3 is missing.
- v. Menu of activities for promoting bio-diversity is too limited.
- vi. Accounts management within DARD and provision of supportive documentation for Withdrawal applications needs improvement.

Agreed action	Responsibility	Agreed date
Prepare subsidiary Agency-wise Activity and Budget Tables as part of AWP/B to clearly reflect responsibilities of each agency.	PIU and IAs	Every year in Sept.
Land Use Planning and Management Manual be updated once provincial policy and Land allocation Manuals are updated to accommodate landless poor for better targeting of those poor under this sub-component as well.	PIU and DARD	31 March 2013
Complete all land use planning activities by Mid-2014	PIU and DARD	30 June 2014
Revision of Manual for CIGs to expand list of eligible activities	PIU and DARD	31 July 2012
A coordination mechanism for integrated implementation of agro-forestry activities under components 1, 2 & 3 be developed with assistance from Int. Forage Expert	PIU	30 June 2012

13. **Component 2: Generating Income Opportunities for the Rural Poor:** *Overall assessment of the component is moderately unsatisfactory.* Targeting and empowerment aspects can be improved. Component 2 is the largest in terms of financial allocation (70% of the project cost) and range and depth of activities and consists of two distinct sub-components. The component's financial progress at 28% is also the lowest among all components and has been the major contributor to slow financial disbursement. The mission also looked at Component 2 and other components' activities in terms of pro-poor value Chain Development. The MTR Mission particularly considered how the value chain development can be mainstreamed into project implementation and interventions and be effectively implemented during the remaining project life.
14. **Potential Prospects for Value Chain Development in 3PAD:** Value chain development runs as an implicit thread through range of project activities and interventions in various components, though it is not as explicit in this project's design as it is in IFAD projects e.g. in Ha Tinh or Tra Vinh. The value chain related activities are covered in Component 2.1, Component 2.2, 2.3, 2.4 and Component 3. Probably because of this spread under various components with different implementing agencies, value chain development has not been undertaken as a coherent activity for pro-poor income generation. The project focus so far has remained largely on production side. The individual Value Chain related activities implemented thus far include: Establishment of 6 associations of services providers in plant and husbandry (Sub-component 2.1: Community Driven Technology and Service Development), Value Chain Analysis study (October 2011 by Casrad), establishment of APIF and BISC (June 2011, technically supported by SNV), APIF Manual (April 2012 by SNV), appraisal for grants and selection of 4 companies for APIF grant support, and Tourism Strategy for Bac Kan province. Studies on several prioritized value chains have also been completed including Grass noodle, Chicken Local black pig, Banana, Black jelly, Eco-tourism (Ba Be lake). Implementation of activities related to value chains is currently relying on selected companies and consultancy contractors with little attention to developing mutually-responsible linkages between them and target poor farmers. Linkage between implementing agencies is also not clear. Under APIF, a rather vague and controversial concept of inclusive business is being promoted. (companies become main and direct beneficiaries rather than the poor in undefined and unanalyzed value chains). The recommendations made by previous Supervision Mission in this regard (August 2011) are yet to be implemented.
15. The Mission has identified several issues in this important but implicit element of project design and objectives. Issues are:
- i. "Pro-poor Partnership" concept has not been well defined and developed in the project document although project name is "Pro-poor Partnership for Agro-Forestry Development".
 - ii. There is no clear pro-poor strategy for value chain development in project document covering market analysis, partnership development, incentives, risk coverage etc. There is also no clear Partnership strategy covering approach, methodology, and tools
 - iii. "Community Driven Technology and Service Development", which could have been the starting point for developing pro-poor partnerships between communities and service providers, has not been assigned to local levels (district, commune, village) and is being implemented in a top-down approach.
 - iv. APIF has been narrowed down to provision of free grants to businesses rather than developing it as a mutually responsible triangular partnership between farmers/producers, businesses and government extending it to all types of value chain partnerships particularly indigenous.

Agreed action	Responsibility	Agreed date
Strategy for Development of three/four value chains (with Eco-tourism as a focused theme) through pro-poor partnerships including training and capacity building of stakeholders – with support from a National Consultant (2 p/months)	PIU & BISC/APIF	31 July 2012
Training to CIGs/LARCs in business development and contract management	PIU	31 July 2012 onwards
Projects PIM and APIF Manual be revised to reflect the Value Chain Development Strategy elements and delegation of contract management and accountability for service contracts to the local level and beneficiaries	PIU	31 August 12
Update M&E system to capture Value Chain related interventions, outputs and impacts	PIU	31 Dec 2012

16. Sub-Component 2.1: Community Driven Technology and Service Development:

The sub-component is aimed at developing demand-based agro-forestry livelihoods and income generation opportunities, Participatory Action Research (PAR) and off-farm income opportunities through vocational training. Another key intervention is development of private sector extension service providers. The sub-component is also the main vehicle for developing value chains in the target districts, particularly for people participating in forest land allocation. Main implementing agencies are DARD, Department of Science and Technology and Women Union. Progress thus far has been not up to mark in terms of targets achieved but moderately satisfactory in terms of impact. 155 LARCs have been established by Women Union in 67 villages and appear to be reasonably effective organizations within the range of activities allowed so far. 18 CIGs have been established against a target of 144 and progress is slow. WU vocational Centers have been upgraded in three districts. There is strong need to reorient and refocus this sub-component in terms of targeting of the poor, focused development of two three value chains, addressing sustainability aspects of LARCs and CIGs, and greater integration and cohesion between CDF funding under 55%, 24% and 21% components.

17. The Mission has identified following main issues:

- i. Priority targeting of upland poor villages and beneficiaries is currently missing and need to be rectified during remaining project life. The access to these villages and meaningful participation is constrained by physical distance, lack of easy access, lack of suitable extension/development packages, limited access to productive community forest land and language barriers. A holistic interaction strategy would be needed to address the multiple challenges in delivering development to these priority upland villages and to effectively integrate investments under all sub-components.
- ii. Lack of closer coordination and cohesion between the agro-forestry activities under Component 1, Component 2 and Component 3. Most of the activities are being done in parallel and an opportunity for cross-fertilization and maximizing the impact is being missed.
- iii. Establishment of CIGs is mechanical (all have 10 members with no reference or relation to the local population, demography and poverty profiles) and vision and range of activities very limited. Majority of members in all CIGs are better off households. Provision of one time grants of VND 5 million, often shared equally between the members, is primarily being used for agro-forestry activities. Payment of flat rate daily allowance of VND 60,000 to beneficiaries, irrespective of nature and duration of participation, for attending the training is also against the participatory development spirit and local ownership.
- iv. Outsourcing of extension service provision has remained problematic in number of ways. Communes face difficulties in preparing the TORs and execution of contracts. Most service providers are government staff. Little effort appears to have been made to find more farmers as service providers and only 8 Farmer service providers have been engaged so far.
- v. Little impact of renovated WU Vocational Centers is currently evident on developing vocational skills for income generation of the poor target groups.
- vi. Sustainability of LARCs and its related microfinance activities by WU would not be possible unless these LARCs are converted into formal Saving & Credit Groups and Women Union, Bac Kan is assisted to become legally mandated to act as Micro-Finance Service provider for these groups on sustainable basis.
- vii. There is a large unmet demand for fish fingerlings and aquaculture development in the target communes and existing capacity of provincial hatchery is not sufficient to meet the demand.

Agreed action	Responsibility	Agreed date
A fresh poverty ranking of all villages in the communes and issuance of new targeting strategy for priority targeting of upland villages with more than 50% poor households, under all project components from next year. This shall be underpinned by a Project Interaction Strategy addressing challenges of physical access improvement (flexible specifications for road link development), overcoming language barriers (engaging farmers knowing ethnic languages as bare-foot extensionists), development of appropriate extension packages, forest land allocation policy for the landless etc.	PIU/ IAs	30 June 2012
Agro-Forestry Coordination Group consisting of all IAs dealing with Agro Forestry will be established and a coordination framework prepared with assistance from Int. Forage Advisor	PIU	Immediate
Revised CIG Guidelines to ensure at least 50:50 ratio of poor and non-poor HHs, flexible number for membership, expanded menu of eligible activities and revised guidelines for payment of VND 60,000 for training, discouraging outright subsidization	PIU/DARD/FU	By 31 July 12
A Vocational Training need assessment and Training Plan will be prepared with assistance from a National Consultant to make effective use of WU Vocational Centers, particularly for the resource poor upland villages. PIU to make provisions for such training from next year AWP/B (2 Person Months of National TA)	PIU/WU	By 30 Sep 2012
Aquaculture Development will be added as a new activity in Budget at Sl. No "h" with a cost of US\$ 57, 450, to be implemented through CIGs supported by provincial hatchery. It will be funded within existing loan allocation for the category through anticipated additional VND flows on account of exchange rate gains.	PIU/DARD	By 30 Sep 2012

18. **Sub-Component 2.2: Investment for Growth:** Each target commune is eligible to receive, on average about US\$ 63,000 per year (up to a total of US\$ 252,000 over 4 years) based on a weighted formula including population (25%), poverty (50%) and distance from district center (25%). Main activities supported under the sub-component include assistance to the province to improve its position in Country's competitiveness Index (currently a low 60th among 63 provinces), establish a Business Investment Support Center (BISC) in DPI, establish an Agribusiness Investment Fund (APIF) to provide grant financing of up to 70% to businesses doing pro-poor agri-business investment in the province, and establishing a Community Development Fund for the Communes to support (a) public goods investments, (b) pro-poor agro-forestry grants to eligible poor households and (c) finance service delivery contracts to farmer groups (linked to Sub-component 2.1). The ratio of each investment under overall commune allocation is 55%, 24% and 21% respectively. Commune is the investment owner and village based Community Development Boards are implementation agents.
19. **BISC & APIF:** BISC has been established in Center for Investment, Trade and Tourism Promotion in PPC and an operational manual for the APIF has been finalized (through an IFAD Rome contract with SNV) and approved. 4 Investment Conferences have been held in Hanoi, Ho Chi Minh City and Bac Kan so far in which 205 enterprises participated. Out of around 14 business proposals submitted by businesses, 4 business proposals have been selected for support of VND 8.2 billion out of total available VND 20 billion. Three of these investors are from Bac Kan and one from a neighbouring province and the conferences held in far off places like Ho Chi Minh City appear to have achieved little interest from outside of province businesses. No disbursement to any of the selected businesses has taken place so far. Because of number of concerns that arose during Missions work about the original concept and its actual implementation so far, the Mission held a meeting with SNV - the author of APIF Manual and advisors to BISC - and they acknowledged merit of some of Mission's concerns and committed to address them through revision of the existing APIF Manual. The issues and agreements listed here are on the basis of discussions and consensus in meeting with SNV and Project Steering Committee.
20. Main Issues:
- i. Adoption of 'inclusive business approach' in an IFAD-funded project with the concept of giving grant money to businesses as incentive to establish pro-poor businesses for profit-making is somewhat an anomaly in a project aimed at targeting the poor in an equitable and sustainable manner. While the poor are expected to pay and contribute in everything in the name of sustainability and ownership, a rich business is declared eligible to get free grant funding as an incentive for establishing business and such

- grants are being offered from a loan obtained by the province. No question of sustainability has been raised in this case.
- ii. APIF in its current shape also does not meet the requirements of a pro-poor partnership nor the intent expressed in project document “the program will provide up to US\$ 100,000to companies prepared to engage the poor in agri-business enterprise.... APIF funding might cover cost of promoting investment in targeted communities, establishing contractual agreements with ...landowners, building forest access roads.....”. At present the targeted poor communities are not part of any contractual arrangement and the current partnership is only between the government (BISC) and the businesses.
 - iii. The three APIF supported enterprises visited by the Mission, though in early stage and without any disbursement, raised fundamental questions about the selection process, business-farmers linkages, accountability, agreement enforcement in case of default and BISC’s ability to ensure effective monitoring.
 - iv. Suitability of venues (Ho Chi Minh City, Danang, Hanoi) of existing and proposed road-shows to attract businesses from outside the province is also questionable. Of the four businesses so far selected, three are from Bac Kan and one from neighboring province.
 - v. Agreement between BISC and one enterprise has operational duration of 13 months only which makes the long-term sustainability of business in project area suspect especially in absence of strong enforceable guarantees.
 - vi. Current capacity of BISC to implement this grant-based mechanism with businesses in a robust, transparent and accountable manner is suspect.
 - vii. There is considerable demand for introduction of Mong Cai pig raising from the poor families in the project communes which should be addressed as one good potential income raising activity for the poor.

Agreed action	Responsibility	Agreed date
An independent review of APIF Manual, selection process, contents of agreement between BISC and beneficiary businesses, enforcement mechanism etc. Merits of selection of current four businesses, be carried out by a qualified national consultant (1 P/month) selected by PIU	PIU	30 June 2102
No disbursement be made to any of the selected businesses till completion of independent review and further continuation with these businesses be decided on the basis of review recommendations.	PIU/BISC	Immediate
Second round of selection involving five businesses will be put on hold till completion of independent review.	PIU/BISC	Immediate
SNV to revise the APIF Manual in the light of independent review and also to make the arrangement trilateral between Government, businesses and farmer/communities to reflect 3PAD objective of developing pro-poor partnerships. All existing and future proposals under the fund will include the community/farmer side of arrangement prepared in due consultation with the target communes/communities/CIGs	PIU, BISC & SNV	Immediate
SNV to further revise the Manual to incorporate a robust, transparent, representative (including target communes in the proposal) and enforceable system of business selection and subsequent contract enforcement.	PIU, BISC & SNV	Immediate
Revised APIF Manual will also create multiple windows of financing in order to support small businesses/enterprises in target districts/communes, cooperative of CIGs etc. To access funds for production, marketing, eco-tourism, processing, value addition etc.	PIU, BISC & SNV	Immediate
Revised APIF Manual for the approval of Provincial Government and IFAD		31 July 2012
A new activity with budget of US\$ 100,000 shall be included in this sub-component for introduction of Mong Cai pig raising with poor households. DARD shall submit a proper plan including targeting criteria, approach and inputs, phasing for the approval of Steering Committee and IFAD country presence. The additional financial requirement shall be met from anticipated additional VND flows due to exchange rate differential	DARD, PIU, IFAD country Presence	30 Sep 2012

21. **Community Development Fund:** CDF is the most important feature of 3 PAD and has a crucial role in poverty reduction/poverty targeting, value chains and livelihoods development, capacity building, and grassroots empowerment. The fund has been divided into three distinct sub-funds with ratios of 55% (infrastructure development), 24% (Agro-forestry Development Fund) and 21% (demand based services and technology development). All three sub-components have faced challenges in implementation largely due to complicated procedures for contracting and reporting and the empowerment and development objective of the funds is not fully realized. Integration of activities and

targeting of the poor upland villages need to be prioritized to enhance impact. Under 55% budget, 168 infrastructure schemes (mainly roads, irrigation, and Drinking water) have been initiated so far and 54 have been completed. 19 are under construction and 39 in procurement process. Rest are in survey & design stage. Total beneficiary households are 6,405 and 64% of them are poor or near-poor. Under 24% budget, US\$ 1.047 million has been disbursed so far which is 37.6% of the total budget. There are 4,631 beneficiary households and funding has mainly been lent to LARCs for agro-forestry activities. Under the 21% budget, 162 extension service contracts have been signed, 8 of which were with farmers. 9,274 households benefit from this activity and 64% of these households are reported to be poor.

22. **General Issues in CDF:** Two major developments since the start of 3PAD have been launch of Government Programme 30-A for 62 poorest districts in the country and Programme 147 for support to forestation activities. Programme 30-A and Programme 147 cover almost all the communes targeted under 3PAD. Both the programmes are heavily subsidized and offer free inputs and cash incentives and directly compete with many of the activities of 3PAD in target districts and communes. This has had negative impact on 3PAD progress and disbursements. To address this challenge, there is an urgent need to devise a planning and coordination mechanism whereby these programmes don't compete with 3 PAD rather complement it or vice versa. This can be achieved through development of Market oriented SEDPs at commune level whereby commune is enabled to integrate the activities of three programmes in a flexible manner. Targeted TA support to develop MOSEDP Guidelines and appropriate training for commune and district staff through 3 PAD training budget need to be provided to introduce MOSEDP at commune level for better identification of development needs and efficient allocation of resources available under different projects.
23. Towards this end, part of 21% fund component of CDF should be used to assist the communes in developing Market Oriented SEDP to make efficient use of various sources of funding from different programmes. Based on Commune SEDP, the Commune shall also be granted the flexibility to reallocate money available under CDF from one fund to another fund based on actual identified needs and development potential. However, allocation under any of three CDF funds, shall not exceed 55% of the total commune CDF allocation. In case any commune has valid reasons to exceed 55% ceiling for any of the funds, it will send the case with full justification to PIU for approval. In case PIU considers that part of allocation of one commune cannot be utilized in that commune due to any reason and it should be reallocated to another commune, PIU shall submit the re-allocation proposal to Steering Committee for approval. In no case such reallocation will be made from a poorer commune to a better-off commune. Value Chain Development under Component 2.1 shall be linked to activities under CDF though engagement of a Value Chain National Consultant. Communes will be assisted and encouraged to ensure common principles and linkages between 55%, 24% and 21% funds. A revised updated CDF Manual will be prepared, reflecting these changes and those mentioned under specific sub-components, within 60 days of the issuance of MTR report. Required National TA will be engaged by PIU for this purpose.

Agreed action	Responsibility	Agreed date
Revise and update CDF Manual to support MOSEDP formulation at Commune level through use of part of 21% funds under CDF, which pertains to extension services – Engage 2 National Consultants/4 p/months (US\$ 10,000) to formulate guidelines and prepare training plan for the commune and districts and the budget tables be accordingly revised to reflect this activity and budget	PIU & PPC	30 July 2012
Conduct training in formulation of MOSEDP	PIU	August 2012
Prepare MOSEDP at Commune Level for 2013 AWP/Budget	PIU	Sep 2012
Revise/Update CDF Manual in the light of these changes and notify terms for the flexible use of CDF funds, inter-fund reallocation up to a maximum of 55%, and reallocation among communes.	PIU	30 Sep 2012

24. **Specific Issues in CDF Sub-components and Recommendations:**

- **55% Fund of CDF for public goods investments:**
 - i. Project activities are currently not based on a commune SEDP process to ensure complementarity and integration of various sources of funding.
 - ii. Infrastructure activities have thus far been implemented only in relatively accessible and better off lower elevation villages at the cost of poorer upland ethnic minority villages.

- iii. Design and construction activities have been outsourced to outside contractors accompanied by complicated and cumbersome procurement, approval and disbursement procedures.
- iv. Communities have not been given an option to self-implement simple smaller schemes, despite the success of this approach in IFAD projects elsewhere in Vietnam. Denial of this option is against the proven principles of participation, ownership and empowerment.
- v. Communities required to contribute 10% of the scheme cost in the shape of materials, labour and/or land. Such contribution as a principle should only be expected where communities are themselves implementing the scheme and have complete control over costs, quality and efficiency.
- vi. Rigid design requirements e.g. 3 meter concrete roads for upland villages are inappropriate, inflate the costs and minimize the benefits.
- vii. Irrigation was accorded lowest priority in project document but project has invested in considerable number of irrigation schemes. Investments so far have primarily benefitted better off farmers. The schemes have limited coverage and a poor rate of return on heavy investments.
- viii. Commune engineering and accounting capacity is inappropriate to undertake large number of infrastructure schemes and this weakness is further accentuated by lack of legal recognition of Commune Construction Procurement Boards and CDBs.

Agreed action	Responsibility	Agreed date
Post MTR Infrastructure activities will be implemented in upland poorer villages with more than 50% poor households with priority to the poorest villages	PIU, DIU, CPC	Immediate
All simple schemes related to roads, irrigation and DWS will be implemented through self-implementation mode by CDBs and PPC will issue appropriate regulations to provide legal cover for this approach. Related Manuals will be changed accordingly	PIU and PPC	Immediate after revision of CDF Manual
Design and construction firms will be prequalified by PIU on the basis of Unit-rate based competition for roads, irrigation and DWs and buildings. CPC would be free to award contract to any of the prequalified firms in its district on the basis of notified accepted rates of the firm.	PIU	From 2013 AWP/B on wards
Introduction of flexible design and construction standards criteria for small and simple village schemes in roads and irrigation and DWS. Regulation for this to be adopted from other provinces with similar approaches	PIU and PPC	31 August 2012
Commune Construction Procurement Group and CDBs to be given appropriate legal cover for the assigned tasks through a decree by PPC.	PIU and PPC	31 August 2012
10% community contribution be required only in the self-implemented schemes of CDBs and not in contractor executed schemes and necessary changes in this regard be made during revision of CDF Manual	PIU	30 Sep 2012

- **24% Fund of CDF to be used for pro-poor agroforestry investment grants, the issues are:**
 - i. The current purposes of loans given to LARC members are too narrow and agro-forestry centered depriving poor households of other more suitable options for livelihoods.
 - ii. LARCS in their current structure and orientation have limited economic impact and suspect sustainability beyond project life. These groups need to be graduated to the level of formal savings & credit groups for the sake of sustainability and more impact.
 - iii. Existence of LARCs and CIGs in same villages raises the possibility of some households becoming members of both and benefitting disproportionately more than others.
 - iv. Women Union remains a project specific micro-finance service provider.
 - v. There is strong need to learn from other existing micro-finance models operated by Women Union in neighbouring provinces.

Agreed action	Responsibility	Agreed date
LARC Manual to be updated to reflect savings & credit group mandate of LARCs and Women Union. A national Consultant be engaged (2 p/months) to prepare the revised Manual. The Manual will empower WU to fix interest rates and do other necessary activities for the institutionalization of SCGs and theirs and WU staff's capacity building as well as SCGs structure and mandate	PIU & WU	30 July 2012
Women Union will be assisted to become legally mandated micro-finance operator in the province through provision of 4 p/months National TA	PIU & WU & PPC	30 Sep 2012
WU, FU and DARD will ensure that in case of CIGs and LARCs in the same village, some households are not disproportionately benefitted under both activities. PIU to issue necessary instruction and guidelines to IAs as well as M&E staff	PIU	Immediate
All outstanding funds with SCGs and those available with WU and PIU for LARCs, shall be transferred to WU as Credit Pool resource on closure of 3PAD and shall be reflected in Projects Exit Strategy	PIU	30 June 2015
Additional Training for WU Staff at district and commune level after finalization of SCG Manual and guidelines	PIU & WU	By 31 Dec 2012
Study tour to neighbouring provinces with good micro-finance and SCG models for the staff of PIU and WU	PIU & WU	By 31 Dec 2012

• **In 21% Fund of CDF for service delivery contracts to farmers:**

In absence of a Market oriented SEDP preparation at commune level, it would be impossible for the commune to integrate activities under 3 PAD and other programs and within 3 PAD between Women Union, Farmer Union and DARD

- i. Payment of VND 60,000 to each participant, irrespective of nature and duration of the course, makes it a perverse incentive and needs to be corrected in the manner explained earlier.
- ii. Language is a major barrier in assisting poor upland communities (Mong, Dzaio)
- iii. A very agro-forestry centered narrow menu of choices is currently available to CIGs which does not cater to other livelihood options of poor and landless

Agreed action	Responsibility	Agreed date
Practice of individual payment of VND 60,000 to trainees for every type of activity will be replaced with an approach whereby payment will be made as such only if nature of training or distances so warrant. In all other cases, the trainee payment will be offered to CIG in lump sum to either use as a supplement for their grant or use it for some other communal purpose. CIG Guidelines to be revised accordingly	PIU & IAs	30 September 2012
Farmer to Farmer learning be promoted in place of engagement of service providers on contract – particularly farmers who speak ethnic minority languages	PIU and DARD	Immediate
Revise CIG Manual to include more eligible activities for financing in addition to Agro-Forestry	PIU and DARD	31 July 2012

25. **Component 3: Innovative Environment Opportunities:** *Overall assessment of component is moderately satisfactory.* The component is aimed at promoting forage-based conservation, sloping land conservation, development of bio-energy, pilots in payment for Environmental services (PES) and eco-tourism planning and promotion. Most of component activities are on track with very promising results. Schools books on SLM and forage and teacher training has been completed. School nurseries for forage planting material established. SLM material in ethnic language has been translated and distributed. 45 forage based CIGs have been established. So far 45 new forage species have been identified/imported and introduced on 40 ha. However training on bio-energy and forage buy-back programme is yet to be initiated. Strategy for tourism development/payment for environmental services in Ba –Be National Park has been finalized and activities initiated in improving accommodation for tourists and hygiene standards around the lake through formation of several CIGs. Payment for environment services (PES) has been initiated with two communes in Ba Be.
26. The Main issues are:
- i. Lack of effective coordination between SLM and agro-forestry activities under components 1 and 2, constraining the huge potential for quick positive impacts
 - ii. Replication of successful SLM models is slow and availability of fodder for cattle in project area remains constrained and slope degradation continues

- iii. Bio-energy development, especially in distant off-grid communities remains neglected.
- iv. Huge tourism potential of Ba-Be Lake cannot be realized without a proper framework agreed with National Park Management Board.

Agreed action	Responsibility	Agreed date
Coordination framework for agro-forestry, forage and SLM activities be prepared with assistance from Int. Forage Expert. The coordinated framework should be aimed at avoiding overlaps and duplications and pooling of resources for fast replication of successful models in areas under threat of degradation	PIU and IAs	Immediate
Development of a pilot on bio-energy development/biogas promotion in remote village through engagement of a national consultant for 2 person months	PIU and DOST	30 Sep 2102
Study tour to Sapa to study eco-tourism initiatives in Sapa and their possible replication in Ba Be	PIU	30 Sep 2012

D. Project Implementation Performance

27. **Project Management Performance.** *Overall assessment of project management is satisfactory.* PPC and PIU have led the project with fair amount of dexterity and competence. Overall Project Management performance has remained satisfactory within the given limitations imposed by design and often restrictive reading of PIM and its interpretation. *The coherence between AWP/B and implementation has been moderately unsatisfactory.* AWP/Bs have generally been optimistic/ambitious resulting in considerable shortfalls in achievements of targets every year. AWP/Bs approvals have also mostly missed the National Planning Cycle and were approved in late January leading to loss of valuable time at the start of year. The AWP/Bs have been primarily used as a budget and disbursement tool and not as action-planning and strategy defining document. Staff stability, both at district and commune levels, has remained problematic and has constrained project implementation. Strength of regular staff both at District and commune level needs serious review to support meaningful decentralization and empowerment. The International TA resources should have been more optimally utilized to address capacity gaps. The National Experts that have been engaged on longer term basis need rationalization to ensure that only the most able and relevant are retained on longer term basis with regular performance assessments. Training and capacity building activities, including workshops, need considerable improvement in terms of relevance, content, delivery, and sequencing. Current office space is too cramped for a healthy working environment.
28. As experienced in number of other projects, 3PAD is also caught in the dilemma of having to follow both IFAD guidelines/loan stipulations as well as government regulations. Preparation of PIM was supposed to take care of this issue but has not been much help either. PIU is also subjected to numerous visits by all kind of monitoring and oversight agencies and inspectors who, with no knowledge or understanding of the donor funded projects, raise undue and unnecessary objections which further promote uncertainties within the PIU and IAs. The central role of Steering Committee in effectively guiding and managing the project also needs to be properly understood and appreciated. Many of the project's proposals sent to Chairman Steering Committee were onward referred to various agencies for comments or advice, some of which were not even related to the project. Project needs to adopt detailed action planning as part of its AWP/B and, based on that, prepare detailed issue based Working Papers for the approval of Steering Committee. This would enable the project to address some of doubts and outside unnecessary interference by unconcerned agencies. Another practice that needs to be established is that any outside agency needing any kind of information from the project should approach the project through Chairman Steering Committee and not directly. **(See Annex I for the Technical Paper on Management and Targeting etc.)**
29. The salary allocation under the existing loan allocation is almost exhausted. The O&M budget for the remaining period also appears to be inadequate to last for the remaining project period. PIU has also identified some additional need for Equipment in view of its move to new building in near future. Brief analysis of the reasons for the short fall is:

Category VI: Vehicles, Goods & Equipment: Original Loan Agreement allocation for this category is SDR 430,000. Project has already overspent this category by 3% and current progress is SDR 442, 609. The project has proposed to increase the allocation under this category by SDR 42,000. The main rationale is that a new office building is being prepared

both for the PIU and BISC. The equipment already purchased is insufficient for the new building because of the larger size of the building and increased requirement of certain items. Project initially proposed a much higher increase (SDR 160,000). The detailed list/requirements prepared by the project were examined by the Mission and project was helped to rationalize it. Therefore the current proposal to enhance the category VI budget by SDR 42,000 is recommended. The revised Category VI Budget would be SDR 472,000 (original Budget: 430,000)

Category VII: Salaries: IFAD Loan contributes 20% to the salaries budget and total Loan allocation is SDR 120,000. The PIU has almost exhausted the current allocation and has proposed an increase of SDR 130,000 in the allocation which will make the revised Loan allocation SDR 250,000. This almost doubling of the allocation has been necessitated by recruitment of 48 Commune Accountants under the project and three increases by government of Vietnam in baseline salaries over the last three years. Further increase in baseline salaries is anticipated again to counter high inflation. Another significant point in this regard is that in all other ongoing IFAD projects in Vietnam the salary budget ranges between SDR 270,000 to SDR 350,000 and compared to that the allocation in 3PAD has been very low. The Mission examined the rationale in detail and recommends revision in Salary allocation. The revised allocation under Category VII would be SDR 250,000 (original SDR 120,000)

Category VIII: Operation and Maintenance: Original allocation for O&M in the loan was SDR 190,000. PIU has proposed additional allocation of SDR 85,000 to make the revised allocation SDR 275,000. The rationale for this increase is almost 70% increase in petroleum prices and its subsequent impact on all other utilities like electricity, water etc. Prices of consumables like paper, ink cartridges etc. have increased by almost 25% to 50% over the last three years. The Mission examined the detailed rationale and recommends increase in Category VIII by SDR 85,000. The revised allocation under the loan would be SDR 275,000. **(See Annex II for rationale and detail working of revised allocations)**

30. The additional requirement under the three categories (SDR 42,000+130,000+85,000)= SDR 257,000 will be met from the Category IX "Unallocated" leaving a balance of SDR 133,000 in that category for future contingencies. **The Category-wise post MTR allocation would be as following:**

Revised Loan Allocation

No.	Category	Original Allocation (SDR)	As of 30 April 2012 (SDR)		Revision (increased +, decreased -) SDR	Total after revision (SDR)
			Commitments	Rate (%)		
1	Civil Works	370,000	54,478.07	14.7	-	370,000
2	Technical Assistance, Training and Studies	2,900,000	1,017,575.71	35.1	-	2,900,000
3	Contracted Technical Services	1,270,000	527,992.79	41.6	-	1,270,000
4	Agribusiness Promotion Investment Fund	1,340,000	55,214.13	4.1	-	1,340,000
5	Community Development Fund	7,100,000	1,993,866.64	28.1	-	7,100,000
6	Vehicles, Goods and Equipment	430,000	442,609.08	102.9	42,000	472,000
7	Salaries	120,000	113,822.67	94.9	130,000	250,000
8	Operations and Maintenance	190,000	177,191.83	93.3	85,000	275,000
9	Unallocated	390,000			-257,000	133,000
	Total	14,110,000	4,382,750.92	31.06	-	14,110,000

Issues:

- i. Disbursement of sufficient counterpart funds in timely manner by the provincial government is increasingly becoming problematic.
- ii. Approval of AWP/B of 3PAD and its assignment to implementing agencies is not done in timely manner. AWP/B currently used as a budgeting instrument and not as a comprehensive planning & action document to guide the implementation.
- iii. Despite repeated recommendations from previous Missions, 3PAD Project Director has not been appointed as Deputy Director of DPI (the position Project Directors in all other IFAD projects in Vietnam have) undermining his effectiveness as Project Director
- iv. Deployment of long-term national experts needs rationalization and performance based retention.
- v. Salary budget is almost exhausted and PIU proposes it to be scaled up and has furnished a proposal for reallocation of funds from other categories in Loan Agreement.
- vi. PIU has also proposed to upwardly revise allocation for the equipment category to procure additional equipment for the new office building of PIU. Upward revision of O&M Budget in loan allocations has also been proposed on account of inflation.
- vii. Capacity for decentralized infrastructure implementation not adequate at the commune and district level to support meaningful decentralization and empowerment.
- viii. No dedicated person is responsible for community mobilization/formation/participation aspects at the village level to ensure a consistent strategy and regular reporting on these aspects.

Agreed action	Responsibility	Agreed date
Provision of sufficient counterpart funds in timely manner be ensured by PPC and DPI	PPC & DPI	Immediate and continuing
Approval and assignment of AWP/B must be ensured by 31 Dec each year	PPC & DPI	Continuing
Project Director shall be appointed as Deputy Director of DPI to enable him to get the required response from implementing agencies and IAs	PPC	Immediate
Deployment of long-term experts in PIU be rationalized on strictly need basis and their contract renewal must be done on proper performance assessment against pre-specified outs	PIU	Immediate and continuing
Loan Allocation Table will be amended to make additional allocation, for salary, O&M and Equipment categories to meet identified short-falls. An additional Amount of SDR 130,000 under Salary, SDR 42,000 under Vehicles & Equipment and SDR 85,000 under Operation & Maintenance will be provided from Unallocated category.	MTR Mission/IFAD	Immediate
PIU will create opportunities for more informal discussion and brainstorming sessions for implementing partners and PIU staff on key issues related to approach, operations, coordination, targeting etc.	PIU	On-going
Commune staff trained in construction management to support CDBs in execution of small schemes. PIU to hire a consultant (1 per/month to prepare standard designs and quantity sheets for small schemes to facilitate CDBs and communes in scheme preparation and approval	PIU/PPC	31 August 2012
Full-time Community Facilitators will be recruited to spearhead and coordinate projects community participation aspects at village/CDB level, assist in proper targeting of activities to the poor and undertake M&E responsibilities. Appropriate initial training in project approach and methodology will be arranged for CFs by PIU	PIU	31 July 2012
A National Management Expert, with previous experience in IFAD/integrated participatory rural development projects, be engaged for six months immediately to assist PIU in quick implementation of actions agreed during the MTR.	PIU/IFAD	Immediate

31. Revised project budget and respective contribution of IFAD and Government of Vietnam under Category VIII of Loan Agreement would be as following:

Financier-wise Contribution after Reallocation (US\$)	As per Loan Agreement	Added	Total
IFAD	318,000	130,000	448,000
GoVN	167,500	130,000	297,500
Total	485,500	260,000	745,500

32. Summary of Recommended/agreed TA Deployment for effective and timely implementation and follow up on MTR Agreements: A number of TA needs have been identified in the course of MTR to give immediate effect to MTR agreements. Summary of such TA purpose, duration and timing is as follows:

- i. National Management Expert to assist PIU in effective implementation and follow up of agreements reached and changes agreed during MTR including development of appropriate Tor for TA mobilization, revision of manuals and budgets etc. 6 p/months. Immediate.
- ii. Revision of Land Allocation Manual on the basis of Provincial Policy for Allocation of Land to landless (only to be engaged once the new policy is notified). 1p/month. Nov 2012.
- iii. Revision of Land Use Planning and Management Manual to sharpen the Poverty Focus and align it with new Provincial Policy on Landless. Only once the revised policy is notified. 1 p/month. Jan 2013.
- iv. A. Revision of CDF Manual to: Introduce development of MOSEDP process, procedures and budgets at commune level (2 P/months – July 2012).
- v. B. a) reflect the revised poverty focus on upland poor villages b) incorporate decentralized infrastructure development through CDBs, c) define role and responsibilities of Community Facilitator d) incorporate flexible construction specifications for rural roads etc. (2 P/months – July 2012).
- vi. (Note: it can be one person for 4 p/months depending on his qualifications or 2 persons for 2 p/months each for the two subset of activities).
- vii. Revision of CIG Manual/guidelines to improve poverty focus (minimum 50:50 ratio of poor and non-poor), expansion of range of eligible livelihood activities and revision in terms and conditions for payment of VND 60,000 to training participants. I p/month. July 2012.
- viii. Consultant for development an integrated Value Chain Development Strategy with focus on ¾ key value chains, integration of 3PAD Value chain activities and development of linkages and eligibility criteria for access to APIF funds. 2 p/months. July 2012.
- ix. Consultant for Independent Assessment of APIF selection of 4 businesses for support including review of selection criteria, selection process, selection committee membership, eligibility of selected members, appropriateness of existing agreements between APIF and businesses and proposals for improvement in relevant aspects of APIF Manual. 1 p/month. June 2012.
- x. Vocational Training Needs Assessment in priority poor villages; identification of suitable training packages; training plan and budgets; beneficiary selection criteria; linkages to LARC funds for capital etc. 2 p/months. Sep 2012.
- xi. Revision of LARCs manual to accommodate Savings & Credit Activities and conversion of LARCs into SCGs, and related WU support activities. 2 p/months July 2012.
- xii. Acquisition of legal status as Micro-finance Operator for Women Union and Institutional Capacity Building for micro-finance activities. 4 p/months Sep 2012.

xiii. Consultant for Biogas Promotion Pilot – Site selection, technology selection, costing and implementation arrangements – performance assessment indicators for pilots and replication plan for the successful pilots.

33. **Additional VND Flows due to Exchange Rate Variations:** On the current balance available in IFAD Loan, an additional inflow of VND 49 Billion is anticipated on full utilization of loan due to exchange rate variation between loan effectiveness and present. Based on the reallocations within loan categories agreed during MTR, the project cost-tabs in VND would be updated by PIU in consultation with IFAD Country Office to accommodate additional VND 49 billion through enhancement of targets, additional activities and cost rationalizations for components like CDF. No enhancement in SDR terms in any of the Loan Categories would be made in this process. PIU will make a proposal in this regard for the review of IFAD and a Cost-Tab expert would be engaged to update the Tables/incorporate revisions.

Agreed action	Responsibility	Agreed date
PIU proposals for absorption of anticipated additional inflows of VND 49 billion due to exchange rate variation for IFAD Review	PIU & PPC	31 August 2012
Updating of Project Budget Tables in VND to accommodate agreed/approved PIU proposals through a Cost-Tab Expert	PIU, IFAD	30 Sep 2102

34. **Monitoring and Evaluation.** *The performance of the M&E is moderately unsatisfactory.* PIU has, since the last supervision, further refined the reporting systems and output indicators to capture desegregated data on beneficiaries and outputs in terms of poverty, gender and ethnic status. Regular targeted studies and surveys to measure project outputs, outcomes and impacts against project objectives and targets are also required. No Annual M&E Plan is prepared with sufficient financial allocations to enable the M&E section to undertake its work in an organized/planned and self-reliant manner. The M&E section at PIU is manned by just two persons (one full time staff and one long term expert). At districts and commune level there is no dedicated person responsible for reporting on project activities. The PIU and district M&E staff makes frequent visits to communes to check progress. RIMs itself is not comprehensive enough nor is it updated in a manner to capture all activities and outputs to provide sufficient data and qualitative feedback for management decision-making. VND 300 million were invested in a MIS system development which is often unreliable due to inadequate IT infrastructure in the districts and beyond. DOLISA is not linked to project M&E with regard to poverty aspects and impacts. M&E as a tool for management decision-making and further refinement of project's targeting and implementation approaches is still missing.

Agreed action	Responsibility	Agreed date
Engage a short-term national consultant (01 p/month) to review the current M&E system of 3PAD and make modifications in MIS to enable District and commune staff to prepare reports in off-line mode as well where on line facilities are not available or unreliable.	PIU	31 Aug 2012
Community Facilitators proposed for the commune level will also be formally assigned the responsibility for M&E with appropriate reporting formats and training	PIU	31 Oct 12
Annual M&E plan with dedicated budget for the planned activities (surveys, targeted studies, impact assessments etc.) will be prepared as part of Project's AWP/B	PIU	Every year from 2013
Targeted evaluations of key project interventions, approaches and outcomes e.g. poverty targeting, Forest Land Allocation, CIGs, LARCs etc. will be carried out under the M&E Plan	PIU	Every year from 2013
Sharing of M&E system findings across stakeholders for modification/refinement of approaches and activities	PIU	Every year from 2013

35. **Gender focus.** *The overall rating is moderately satisfactory.* Project's gender focus is quite good in terms of range of activities and decision-making structures. In the 17 training courses arranged for commune staff, 45% of the participants were women out of total 698 trainees. Women participation is quite satisfactory at village and commune level need identification and decision-making forums. The Red Books for Forest allocations have been issued in the names of both husband and wife. LARCS (focused only on women) and CIGs (women groups as well as mixed groups) have enabled considerable participation of women in income generation, awareness-raising-on- legal rights and decision-making activities. 155 LARCS have been established with 5,913 members with 70% of the members poor and 'near poor'. 150 meeting houses have been built for the activities of LARCs.

36. Majority of project activities have so far been implemented in relatively accessible lower elevation villages with better literacy and awareness. Project’s real challenge in terms of gender would be in post MTR period when priority focus shifts to upland poor villages where majority of Mong and Dzao communities live with strong patriarchal systems, norms and gender stereotypes. Project would need to develop a proper gender strategy for these villages in consultation with all implementing agencies and particularly Women Union.
37. **Poverty focus.** *The poverty focus is rated as moderately unsatisfactory.* A total of 5,170 households have been involved in project’s forest allocation and agro-forestry development activities so far (43% of the total households in project area) and 2306 of these households have been categorized as poor or near poor which accounts for 19.33% households in the project area. Beneficiary households for infrastructure schemes are 6,405 and 60% of them are reported to be poor or near poor households. These figures look impressive but they mask few important issues. The project thus far has no articulated strategy and action plan to pro-actively target the poor and marginalized upland ethnic communities. Sensitivity at all levels about the fundamental objective and purpose of the project i.e. sustainable development of poor upland communities, is quite limited. Ethnic stereotypes prevail very strongly at the provincial level about the receptiveness and abilities of certain ethnic groups to participate in development and change their situation. No poverty ranking exercise of villages and households during the need identification and planning of activities is evident for the purpose of priority targeting of poor villages and households. In the communes visited, project activities, as a matter of routine, have most often been initiated in relatively better off and easily accessible villages. So whatever number of poor and near poor households has been covered, it has been only in the relatively better off and easily accessible villages. There is no provincial policy with regard to allocation of forest land to landless people. In Project’s Forest Land Allocation strategy, there is no plan or strategy for the landless and special groups like recent Mong migrants from Cao Bang or other persons with very limited access to forest land. Since the project design primarily revolves around forest land allocation and forest land use planning activities and uses them as the base for delivery of other interventions under component 2 and 3, therefore, non-targeting of landless poor in component 1 activities automatically filters out the landless poor from many other project interventions.
38. **Effectiveness of targeting approach.** *The effectiveness of the targeting approach is rated as moderately unsatisfactory.* Effective targeting is dependent on factors of geographical selection based on poverty ranking, a well articulated process and criteria for selection of target communities and households, a properly trained and deployed manpower to do the selection and organization and a flexible package of appropriate investments/inputs to assist the targeted communities and keep them interested as active partners. In short, effective targeting means a very proactive approach to identifying and assisting the poor and putting in place mechanisms and checks to actively discriminate in favour of poor.
39. 3PADs targeting approach so far has been more mechanical than pro-active despite reported targeting of reasonable number of poor households in all project activities. Activities thus far only extend to more approachable villages and communities in a commune and number of poor households in CIGs and LARCs remain a minority. The entire targeting approach and process therefore needs to be further refined to ensure that project activities in the balance period are more effectively targeted at the poorest villages and poorest households, especially the marginal upland communities of Dzao and Mong along with revising the community forest land process to benefit the landless and expanding the flexibility, range and appropriateness of activities under Component 2 to benefit such households. Project would also need to establish dedicated support personnel in CPCs (Community Facilitator) to lead and coordinate targeting, selection, mobilization and assistance of poor communities.

Agreed action	Responsibility	Agreed date
Develop 3 PAD Poverty Targeting Strategy and focus on upland poor villages with poverty rates of more than 50% - amend PIM and Activity Manuals accordingly	PIU & PPC	2013 AWP/B
Provincial Policy on land allocation to poor and amendment in land Allocation Manual	PIU, DONRE, PPC	31 Oct 2012

40. **Knowledge Management.** *The mission assesses innovation and learning as moderately satisfactory.* The PIU has appointed a Full time Knowledge Management Expert since 2010 to coordinate knowledge management activities. A 3PAD Website has also be created to project activities and achievements and other relevant information and developments in the

province. Project has also started issuing regular newsletters since first quarter of 2011. The content and messages of newsletter have shown considerable improvement over the last year and half. However, the PIU needs to carefully define its learning agenda particularly with regard to its main components and approach, both within the project as well as from other IFAD projects within Vietnam backed by a management strategy and usage plan for knowledge thus acquired. Purpose oriented tours to other IFAD Projects, particularly in Tuyen Quang, and Ha Tinh and learning from their targeting approach and decentralized implementation mechanisms and supportive regulatory mechanisms adopted by those provinces would be very helpful in empowering the communes and communities in implementation of activities under Components 1 and 2.

41. Knowledge management in terms of project formulation process also needs improvement. During the design process, experience of decentralized participatory development in Tuyen Quang and Ha Giang and investment ownership by communes and CDB was not taken into account, particularly in the CDF Component. Resultantly, the Commune and community ownership and empowerment aspects, particularly of upland poor communities, did not get sufficient attention in design and subsequent implementation. Opportunities for exchange of ideas and cross fertilization both within PIU and among implementing agencies have not been fully exploited so far posing problems for integration of activities at all levels. More effort should have been made by IFAD and PIU to acquire existing guidelines and regulations from other IFAD covered provinces for adoption to strengthen the decentralization and empowerment aspects of communes and communities.
42. M&E and KM systems need to specifically monitor the quality of targeting and effectiveness of project activities in addressing poverty and raising incomes.
43. Empowerment of the CIGs and LARCs needs a systematic civil network encouraging knowledge sharing; however the project currently lacks mechanisms and forums for such networking of LARCs and CIGs which could learn and share and contribute to policy dialogues and policy reform.
44. **Partnerships.** The project has promoted partnerships with other donor-funded programmes and projects operating in Bac Kan, such as the ADB-funded Tourism Development in Ba Be Lake. The project has mobilized US\$ 20,000 from the Embassy of Australia to share the costs of the project activities for development of "home-stay" tourism in the project's communes. The partnership with ICRAF under implementation of the PES component and with CIAT for implementation of the IFAD-supported regional grant project Food, Feed, Fuel and Fibre for Green Future (4FGF) is quite successful in pilot introduction of innovative models for replication in Bac Kan Province. The project is receiving technical assistance from SNV with regards to development of the APIF.

E. Fiduciary Aspects

45. **Financial management.** *Project performance in fiduciary aspects is assessed as satisfactory.* At the PMU level, the financial management has been excellent and can serve as a model for other IFAD Projects. District and commune level financial management is satisfactory with room for improvement. Frequent transfers of Accountants at the commune level have been an issue. Retention of large amount of petty cash in personal custody by the Cashiers at commune level was pointed out, due to absence of safe, and need to be guarded against.
46. **Disbursement.** *Disbursement performance has been moderately unsatisfactory.* The total project costs are estimated at USD 25.33 million consisting of an estimated IFAD loan of USD 21 million, a GEF grant of about USD 0.65 million, an estimated Government Contribution of USD 2.415 million, and a beneficiary contribution amounting to about USD 1.265 million.
47. The loan became effective on 27 May 2009 and is scheduled for completion on 30th June 2015. To date, 50% of the implementation period has elapsed with a disbursement rate of 22% for the loan (USD 4.6 million, which excludes a USD 2.2 million advance to the Special Account) against the total IFAD-approved loan amount of USD 21 million. In accordance with the IFAD Corporate Project Disbursement Profile (PDP), the disbursement rate should by now have reached 36% of the total approved programme cost, based on the implementation maturity of 3 years.

48. The outstanding balance of the Accounts Payable account was of USD2.2 million as of 30 April 2012 for the loan. The withdrawal application for this amount is expected to be submitted to IFAD for processing by end June 2012. As for the implementation of the project in physical terms, the accrued expenses are in the amount of USD 6.8 million. The physical progress is about 32% against the total approved IFAD loan of USD 21 million.
49. The GEF Grant became effective on 13 October 2010 and is scheduled for completion on 30 June 2013. The remaining project implementation period is of only one year. The mission drew attention to the fact that cumulative disbursement on the category expenditures (excluding the balance in the special account) is of USD 0.26 million, which amounts to 40% of the total IFAD approved grant amount of USD 0.65 million.
50. The mission drew attention to the fact that timely execution of the planned activities is important for receiving sufficient funds and for honouring the commitment of contributing a total of about USD25.33 million to 3PAD, as stipulated in the Financing Agreement.
51. **Fund Flow and Withdrawal Applications.** The special account (SA) denominated in USD was opened in the commercial bank and operated by the Ministry of Finance (MOF). Transfers have been made to the Project Account established at the Provincial Treasury of Bac Kan Province. In addition to the SA, the project has 56 accounts through which to receive IFAD funds from the SA at the Provincial Treasury. There is one Project Account in the PMU, opened in the Provincial Treasury and operated by the PIU. There are 48 sub-project accounts denominated in VND at the commune level, which are operated by the commune Accountants, and 7 project accounts for the different implementing agencies.
52. Further 55 accounts are designated for the receipt of the government-committed counterpart funding from the Provincial Treasury.
53. The fund flow structure is effective. However, there is still room for improvement at commune level. The PIU needs to provide further financial management training to build strong capacity at commune level.
54. **Withdrawal Applications, Liquidity and Special Account.** The Authorised Allocation for the Special Account is USD 2.2 million. The PIU and the communes have been submitted withdrawal applications to replenish the Special Account/Communes project accounts on a monthly basis. The outstanding payable amount stood at 2.17 million, as per the PIU accounting book. The mission expects that withdrawal applications will be submitted on a timely basis. There are no withheld WAs in IFAD
55. Spot checks were conducted on the financial management documents maintained by the PCU and the district, including WAs, statements of expenditure (SOEs), Special Account reconciliations and other financial records. It was found that almost all met IFAD regulations satisfactorily.
56. **Counterpart funds.** *The overall rating for counterpart financing is unsatisfactory.* Counterpart funds are received and used in accordance with the relevant Terms of the Financial Agreement. Counterpart funding from the Vietnamese Government was committed and recorded in the designated account in the Treasury for each Province, at the beginning of each year. The total accumulated amount was in the amount of USD 0.685 million, which represented 28% of the USD 2.4 million committed over the duration of the Project. As per new Government Policy, the counterpart funding is made available through quarterly commitments. To date, the second-quarter budget has not been committed.
57. The Beneficiary contributions are to be received in the form of labour and materials need to be properly accounted for which is not the case so far. Project has so far recorded USD 0.02 million as Community Contribution, which represents 1% of the USD 1.1265 million committed over the life of the Project. Draft Audit Report has also pointed out lack of proper valuation of this contribution. PIU needs to establish a recording and reporting system at commune level which properly captures this important aspect.
58. **Compliance with loan covenants.** *Mission reviewed compliance status and found satisfactory, except for partial compliance with regards to Lead Project Agency, Designation and Responsibilities (Schedule 2, Para 2.1), as counterpart funds not being provided in line with project requirements and Project Director not accorded the official status required to make him effective vis a vis districts and communes and implementing agencies. Also with regards to Project Environment and Social Impact Analysis (Schedule 3, Para 12) is not yet complied.*

59. **Procurement.** *The mission finds that compliance with procurement is satisfactory.* The mission reviewed the Procurement Register for the period from January 1 2011 to April 30 2012. 20 contracts were awarded for this period. Overall procurement performance is in line with the approved 2011/12 procurement plan. The mission drew attention to the fact that it is important to maintain an **expected payment schedule** as part of the Contract Monitoring Register, to ensure that sufficient liquidity in the Special Account be available.
60. **Audit.** *The mission found the quality and timeliness of audits to be satisfactory.* The 2010 audit report and financial statements for LOAN No. 768-VN and Grant-MSP 19 were received on a timely basis, with unqualified opinions. However, there were some internal issues related to cash management, such as advance payments, and payment vouchers did not comply with the cash provisions. The accounting software employed did not support the applicable reporting requirements.
61. The audit of the 3PAD 2011 accounts by the Auditing Firm is currently being finalized. The Mission received a draft 2011 audit report for the project and noted the improvements on the financial statements and internal control procedures. The overall evaluation is successful and IFAD's assessment of the auditor's performance and the financial reporting is fully satisfactory. The Mission encourages the PIU to share their good financial practices with other projects in Vietnam.
62. **Accounting System.** The PIU uses the financial management and accounting system "ANA" to manage the project expenditures and reporting. The system has been upgraded annually to reflect the additional or modified functionalities requested by the PIU without additional costs.
63. The current chart of accounts is structured in the accounting system with reports of the dimensions of different categories, components and subcomponents. Thus, it facilitates reporting and analysis. Consolidation can be done on each level (e.g. per subcomponent).
64. To ensure the system information's security and segregation of duties, Accountants alone have system access to sections that are functionally related to them and user profile access and password protected.
65. ANA, developed by an external consulting company, is registered by copyright and verified by the MOF and Aligned with Decree 19. The software is updated whenever accounting standards are changed. The system is a successful and comprehensive system for financial management, managing fund flow, and for the preparation of withdrawal applications using IFAD-prescribed forms. One very important feature of the ANA is that it has integrated the functions of contract management, financial management of fund flow, and preparation of Withdrawal Applications, in accordance with IFAD-prescribed forms and reporting to meet Government and IFAD requirements. The accounting system does not only avoid the input problem of data repetition but also ensures data accuracy and consistency. It has been used for the project successfully.
66. The mission noticed that budget information (the Annual work plan and budgets) were not recorded in the system, such that the comparison report from the budget versus actual expenditures were prepared manually, by exporting the expenditures information to a spreadsheet (Excel). The disbursement information was manually consolidated with a specific budget activity.
67. To enhance work efficiency, it is important to monitor project implementation and to strengthen the PIU's internal control mechanism. The mission recommends that the project explore the possibility of registering budget information in the system. Given that invoices and disbursements are already registered in the PIU's Accounting System, if budget information is registered in the system, automatic comparison between the budget-based report with actual expenditures can be made, by linking disbursements to specific budget activities.
68. The Mission randomly selected three communes for visiting. The Mission noticed that the financial records were maintained in the Commune using Microsoft Excel spreadsheets. Using Excel is considered financially risky, since potential manipulations of financial data can be easily performed without audit trails. We encourage the project to explore other ways for automating or uploading entries from Excel to the ANA system.
69. **Fixed Asset Management.** The Mission reviewed the fixed asset management and observed the following:

70. Fixed Assets are all recorded in the accounting system. The fixed assets Register was fully implemented as part of an integrated accounting system. During registration, the accountant must enter the number of years for which the asset has been used; the system then automatically calculates the depreciation expenses, based on the depreciation standards specified by the Government regulations. Through detailed testing, the mission found that the recognition and depreciation of fixed assets were recorded and the straight line depreciation method was applied for all fixed assets.
71. The PIU maintains fixed asset records for the PIU, implementing agencies, and 48 communes, with records of the description, location, and cost of all Programme assets.
72. Physical verification (periodic physical reconciliation) of fixed assets at PIU, district and implementing agency levels is conducted on an annual basis, by PIU-designated representatives. The verification reports have been signed off by the PIU representative, the Heads of the agencies or the Chairs of the communes. The reports are filed in the PIU.
73. The mission has travelled to districts and was able to observe the physical existence of the fixed assets for three selected communes, namely BanhTrach, Yen Duong and Dong Phue. With the exception of the Yen Duong commune, certain equipment procured with IFAD resources had not been labelled, but all fixed assets were labelled properly.
74. Overall, the mission was pleased to note that asset registers were up-to-date and in good order at all levels. The assets and stocks were all inspected and found to be in satisfactory conditions. It was noticed that the PIU financial officers have been taking responsibility to ensure due diligence of the management of 3PAD-procured assets.
75. **Financial Capacity of PIU.** The Chief Financial Accountant and all staff with key financial management functions are professionally competent, in light of their educational backgrounds and our direct meetings. The communes at district level confirmed that various trainings were received in past years.
76. **Internal Control.** During field visits, the mission noticed that petty cash in amount of about USD 3,000.00 (VND49,434,545) was kept in the Cashier's home, since the commune does not have a safety box for the Project. The Mission recommended that the Commune purchase a safety box and that the petty cash be kept at a balance of the equivalent of around USD 250. The commune-level management/Accountant should verify the cash regularly (at least on a monthly basis).
77. **Cut-off procedures on the presentation of financial statements-** Through the result of comparing the funds balance by cash on hand and cash in Treasury account of the communes/implementation agencies with the recorded at PMU at the time of 31/12/2011, there are several differences. The cause is that Provincial and Commune Management Board are performing settlements fund used in 2011 under the guidance of State budget finalization, leading to recognition of some accounts of capital plan in 2011 but actually paid in 2012.
78. Therefore, fund balance granted for the communes in the PMU reports on 31/12/2011 is lower than that in the Treasury's confirmation. Provincial PMU shall ensure cut-off procedures are in place and be followed .
79. **Category Reallocation.** The Mission received a request from the Project for category reallocation. A number of factors were given for the need to reallocate the funds between the various loan categories. These include (a) high inflation, that raised unit prices astronomically, compared to appraisal estimates; (b) enhancing the attainment of the objectives of the project and (c) relocation of the PIU office.

After a thorough review of the Programme operations performed during the first half of project implementation, it has become evident that the budget allocation presented in the Programme Loan Agreement and Appraisal Report must be adjusted for Categories IV and V and VI which were under-budgeted. The Mission acknowledged the need for a reallocation of funds in various categories, to enhance the attainment of the project's objectives. The project proposals were thoroughly reviewed by the Mission. The proposal for Category VI revision i.e. "Equipment" was considerably reduced (from original SDR 160,000 to 42,000) except. Revisions in Salary component and O&M component were also agreed. The revised loan allocations are given at Paragraph 25 of the Report.

Agreed action	Responsibility	Agreed date
Timely execution of the planned activities	Project	
The PIU needs to provide further financial management training to build strong capacity at commune level.	PIU	Oct 2012
PIU financial staff to advise DARD on the proper system for filing WAs' supporting documentation.	PIU/DARD	Immediate
Counterpart funding should be made available on due dates	DPI	On going
Maintain an expected payment schedule as part of the Contract Monitoring Register, to ensure that sufficient liquidity in the Special Account be available, or to promptly process requests for any direct payments.	PIU	On going
Explore the possibility of registering budget information in the system	PIU	2012
Explore the possibility to allow Communes to use the NAN system	PIU/Communes	2012
Each Commune shall use a safety box for petty cash and the amount of petty cash shall be kept at a balance of the equivalent of around USD 250. The commune-level management/Accountant should verify the cash regularly (at least on a monthly basis).	PIU/communes	On going
Cut-off procedures on the presentation of financial statements	PIU/Communes	2012 year end
Beneficiary Contribution-Recognize soon all contributions of the beneficiaries in the activities of the project. PMU should held meeting with Commune and Women's Union to unify a consistent way to deploy a voucher system as a basis for recognizing contributions such as time sheet listing / discounted contribution value.	PIU/Communes	August 31, 2012

F. Sustainability

80. **Institutional sustainability:** *The mission rates institution sustainability to be moderately unsatisfactory.* The project has contributed to institutional development of the province in the following areas: (i) decentralization of resource management to the grassroots level in line with local capacity empowerment efforts; (ii) reform of the forest land allocation and planning process to become more participatory, followed by promulgation of a permanent provincial policy and regulation for replication throughout the province; (iii) introduction of CDF and participatory bottom-up socio-economic development planning (iii) development of CIGs for economic collective action; (iv) establishment of the BISC and APIF for promotion of private sector investment in the agriculture sector; (v) reforms in provision of agriculture support services such as the result-based FFS extension approach; (vi) establishment of the first associations of agriculture service providers; and (vi) development of a model for women's Livelihoods and Rights Clubs. To ensure sustainability of these innovative interventions the PPC should coordinate relevant line agencies with technical and financial support from the project toward institutionalizing these over the next four years.
73. Institutional sustainability of all project based development initiatives is generally low due to inherent time-bound and pilot-based nature of projects. However, this sustainability can be considerably enhanced if it is aligned to national planning and implementation processes. 3PAD is currently operating as a parallel pilot development initiative. This often leads to parallelism, regulatory confusions and conflicts, duplications and negative competition between 3PAD and government programmes like 147 and 30-A. To better align the project with provincial development systems, DPI/PIU should lead the process for integrated MOSEDP at commune and district level integrating all available resources including 3PAD. WUs credit activities can be made sustainable with grant of legal status to WU as a micro-finance service provider.
74. **Social sustainability (Decentralization and Empowerment).** *The mission rates empowerment to be moderately unsatisfactory.* In general the project has set up a decentralized participatory implementation arrangement in places but rigidly follows the project design document and subsequent manuals. CDF have been allocated to communes who are the investment owners and sign contracts with service providers. Communities are involved in annual participatory planning process for utilization of CDF. The project has also

established CIGs, LARCs with the aims to empower poor farmers and women through their organizations.

75. However, there are a number of issues in present project design and implementation manuals, resource allocation, and institutional capacity building which impinge upon realization of meaningful decentralization, participation, empowerment and in particular the partnership with private sector and development of community-based organizations. These can be overcome through adoption of appropriate regulatory framework tested and operated in other provinces.

Agreed action	Responsibility	Agreed date
CDF Manual and PIM be revised to incorporate sufficient flexibility to respond to range of livelihoods opportunities in addition to agro-forestry	PIU	31 Oct 12
Give CDBs enhanced role in village level planning and infrastructure development	PIU, PPC	31 Oct 2012
Flexible standards for village schemes to enable CDBs to implement them with priority to meter roads for remote villages	PIU, PPC	31 Oct 2012
Establish LARCs in all the prioritized target villages as women's saving and credit groups	PIU, WU, PPC	31 Oct 2012
Economic role and mandate of CIGs and LARCs be expanded to cover range of livelihoods options and opportunities	PIU, WU, PPC	31 Oct 2012

76. **Economic and financial sustainability.** Key project interventions e.g. allocation of forest land, assistance to develop successful agro-forestry models on allocated land, grant assistance to CIGs and credit extension to LARCs to develop livelihood activities, forage development on sloping land for feed security for the cattle etc. show considerable promise for the sustained economic development on the target communes. Financial sustainability of grant-based capacity building (training, study tours, provision of additional staff at commune and district level) remains suspect beyond project life unless these positions are permanently absorbed in provincial budget. Financial sustainability of grant funded initiatives like CIGs is likely to remain beyond project life with the start of Programme 147 providing similar cash and kind assistance to farmers for forest replanting and agro-forestry.
77. **Technical sustainability:** Technical sustainability of project interventions in forestry and agriculture activities has shown considerable promise. Adoption rate of agro-forestry models and forage development is very high in target districts. More challenging would be development of appropriate sustainable technical models for the upland poorer communes with host of challenges like road access, ethnic minority production and cultural preferences, poorer resource base, language barriers and limited skills.
78. **Environmental sustainability.** Project financed activities will have a very positive impact on the environmental sustainability in the project area and the early signs are quite encouraging. The forest land allocation process leading to development of models for sloping land stabilization, agro-forestry models of trees inter-cropped with grass species and cassava, establishment of plant nurseries with farmers and CIGs, .
79. **Exit strategy.** *There is no exit strategy and therefore the rating is unsatisfactory, however, the possibilities for scaling up and replication are great and the mission rates this potential to be satisfactory.* Key activities of project can be divided into institutions creation (PIU, DPIUs, CPIUs) and community based CDBs, VFPBs/CFMBs LARCs, CIGs etc., one time capital investments, asset creation with communities through land allocation, land management/development, infrastructure development and maintenance, and on-going credit based activities with LARCS & CIGs, environmental services/assets and APIF. Project would need specific exit strategies for each type of intervention keeping in view the nature of activity. The mission recommends the project formulate as soon as possible a Project Exit Strategy in accordance with the IFAD Guidelines for Project Completion (available at the IFAD Vietnam website) with technical guidance from the IFAD Country Office. Following need to be covered in the Exit Strategy
- Official Institutions: PIU, Steering Committee, BISC & APIF, WU District Vocational centers
 - Community based Institutions: Commune Development Boards, Community Development Boards, CIGs, LARCs, Community Forest Management Boards

- **Vehicles and Equipment:** The vehicles and equipment would be formally transferred to the recipient agency on permanent basis ensuring they are taken on the permanent stock of that agency and duly ratified by PIU representative.
- **Land Allocation:** Red Book Issuance System. Allocated land Management and Development (Including bio-diversity protection). SLM and forage development. Nursery management and maintenance
- **Community Infrastructure:** Generally four types of infrastructure investments have been made. Exit strategy for each will be as following:
 - (i) **Village Roads:** Be transferred to Commune Asset Portfolio and be maintained through regular government maintenance budgets.
 - (ii) **Irrigation Schemes:** be handed over formally to Water User Group along with standard national regulations for Water User Group operated regulations and operation and maintenance.
 - (iii) **Drinking Water Supply Schemes:** DWS should be formally made the responsibility of beneficiary community with some nominal user charge fixed by the CPC to be collected and used for maintenance
 - (iv) **LARC:** The funds being disbursed to LARCs as credit. Conversion of LARCs into formal savings and credit groups and grant of legal mandate to Women Union to act as micro-finance service provider would be the best strategy for sustainable use of these funds for the benefit of poor.

G. Impact

80. **Physical and financial assets.** Due to slow start of the project activities in the initial two years, it's still early to assess the impact of physical and financial assets created by the project. *The mission rates physical and financial assets to be moderately unsatisfactory.*
81. **Food security.** While food security overall has improved in the three target districts due to considerable decline of 14% in poverty, the same has not touched most upland ethnic minority communities who remain vulnerable to two to four months of food shortages and should be the priority focus during the remaining life of the project. *The mission rates food security to be moderately satisfactory.*
82. **Increase in incomes.** Poverty in the project area has declined by 14% over the last three years of implementation. However, this can be attributed to multiple factors in addition to project interventions. One major factor is initiation of two major Government funded initiatives in the shape of Programme 147 and Programme 30-A. The two are focused on forestry development on slopes and poorest districts in the country. Both have made considerable investments in the target districts.
83. **Policy impact.** Project thus far has had following impacts on the policy environment in the province:
- Land Allocation of Community lands and issuance of Red Books in the name of both husband and wife.
 - Systematic land use planning through a participatory approach:
 - Attention to business competitiveness improvement through establishment of BISC in PPC and initiation of activities under APIF:

H. Component Wise Post-MTR Revisions

84. **Component 1.1:** Following revisions are required in Component 1.1:
- (i) Revision in Forest Land Allocation Manual to bring it in line with the objective to make poor and landless as a priority target group for allocation of land on equitable basis. The draft regulation prepared by DONRE for province-wide replication is to be updated after revision of Manual to reflect change in the Manual. To be done within 60 Days of MTR through engagement of suitable National TA and approval of revised manual by PPC;

- (ii) Pilot testing of revised Forest Land Allocation Manual and provision of necessary budget;
 - (iii) Payment of VND 60,000 to participating farmers on a flat rate basis for all types of activities will be replaced with budget for refreshments/food on need/nature/type of training basis. VND 60,000 on flat rate basis be paid only if the duration or distance or nature of activity so justifies. Necessary change in Manual and regulations are to be made accordingly.
85. **Component 1.2:** Following changes/revisions be made in component 1.2:
- (i) Phasing of Land Allocation and Land Use Planning revised to ensure completion of all allocation and planning activities by June 2014 to ensure that all beneficiaries get at least one year of extension support to develop allocated lands and that they better target landless poor households.
 - (ii) Current Land use Planning and CIG Operation Manuals will be revised to include expanded menu of eligible livelihood activities, both on farm and off-farm, in addition to agro-forestry.
86. **Component 2.1:** Following changes/revisions will be made in component 2.1:
- (i) PIU will issue a revised targeting strategy and selection criteria aimed at targeting all project activities on upland ethnic minority villages with more than 50% poor households. Related manuals and guidelines will be appropriately updated.
 - (ii) An Agro-Forestry Coordination Group will be notified by PIU immediately with DARD, DONRE, DSOT, DOET. The International Advisor on Forages as members to formulate a framework and strategy for coordinated implementation of activities on sloping lands and allocated community lands for fast replication of successful models
 - (iii) Addition of activity "H" in Budget Table 2.1 for Aquaculture in value of US\$ 57,450 and related changes in logframe and RIM.
87. **Component 2.2:** Following changes/revisions be made in Component 2.2:
- (i) Shift from pure business inclusive approach with free grants for businesses to pro-poor partnerships approach and amend PIM, APIF Manual, Project log-frame and other relevant documents to reflect this reorientation.
 - (ii) Revise project's logframe with respect to Components 2, 3 and 4 and incorporate description and results for the development of pro-poor value chains, to the extent feasible.
 - (iii) Engagement of a National Value Chain Expert to assist the project in making required changes in entire range of Manuals and documents and development of a pro-poor value chain development strategy.
 - (iv) PIU to immediately carry out an independent review of current BISC operations and APIF manual and operations and till the completion of this review no further business selection activities will be undertaken under APIF and BISC. Contracts/selection with existing four businesses be reviewed in the light of findings of independent review
 - (v) SNV to revise the existing concept, processes etc. to make the framework trilateral involving government, businesses and communities/producers. Additional windows of financing to be created for local small cooperatives, CIGs etc. to be also eligible for financing.
 - (vi) Commune SEDPs will be developed with project support from 21% funds of CDF and be used as a vehicle for integration of project activities with other programmes like 30-A and 147 such as procurement of seedlings by Programme 147 from 3PAD sponsored nurseries of CIGs. Provincial Government will issue necessary instruction in this regard;
 - (vii) Commune Peoples' Committee will be authorized to reallocate funds between three CDF sub-components based on assessed demand/needs provided none of the three funds shall exceed 55% of the total commune allocation. 55% limit would be exceeded in special cases if there is a proper justification but with prior approval of PIU. Inter-commune reallocation would also be possible in special cases, but only from

a better off commune to a poorer commune but with prior approval of Steering Committee. Necessary changes for this will be made in the Manual and PIM and logframe.

- (viii) Infrastructure Activities in post-MTR period will be implemented only in upland ethnic minority villages with 50% or more poor households with priority to the poorest villages
- (ix) All simple schemes related to small-scale irrigation, drinking water supply and village link roads of 1-2 meter width will be implemented through self-implementation mode by the Community Development Boards. Appropriate regulations will be adopted from neighbouring provinces with such experience with necessary adjustments.
- (x) Design and construction companies will be prequalified on unit rate basis through open competition for three districts with authorization to CPC to sign the contracts for infrastructure for complex and large schemes, which cannot be executed by Community Development Boards themselves, with pre-qualified companies.
- (xi) Flexible construction standards and criteria will be adopted for self-implemented schemes and road links to remote upland villages. One meter concrete roads will be allowed as links to remote villages and necessary changes be made in existing regulations.
- (xii) Commune Procurement Boards and CDBs will be granted legal status by PPC decree to enable them to undertake simple infrastructure schemes themselves.

24% Fund of CDF to be used for pro-poor agroforestry investment grants:

- (xiii) LARC Manual will be updated within 60 days with the help of a National Consultant based on recommendations of MTR Mission
- (xiv) Loan purposes for LARCs and eligible activities under CIG grants will be expanded to include a range of livelihood development activities both on-farm and off-farm
- (xv) LARCs will be converted into Savings & Credit Groups with uniform operating conditions and loans to them be managed by WU with LARCs houses and village houses acting as transaction centers
- (xvi) Fixing of lending rates will be kept flexible and in sole purview of Women union
- (xvii) A consultant will be hired to assist Women Union complete legal process for becoming a legally mandated micro-finance operator.
- (xviii) More training will be provided to WU staff at District and Commune level for the operations of savings and credit groups.
- (xix) A learning tour will be organized to neighbouring provinces to study micro-finance models

21% Fund of CDF to be used for service delivery contracts to farmers:

- (xx) "farmer to farmer Learning" will be prioritized with a focus on selection of key farmers who speak ethnic languages (Mong, Dzao)
- (xxi) The menu of activities eligible under CIGs will be expanded and the manual will be amended accordingly.

88. Component 3: Following revisions are required in Component 3

- (i) A framework will be developed by Agro-Forestry Task Group, with assistance from International Forage Expert, for coordinated implementation of SLM and Agro-forestry and its fast replication
- (ii) PIU (through PPC) will approach Ba Be National Park Management Board (under MARD) and propose a framework for approval of the Board in terms of project's eco-tourism and income generation activities with poor ethnic groups living in and around the national Park. The agreement so reached shall guide project's future activities.

89. **Project management:** Following revisions are required:
- (i) Project Director, 3PAD will be appointed as Deputy Director DPI to enable him to do his job more effectively.
 - (ii) Future AWP/Bs will be in the shape of a comprehensive planning & action document containing details and guidelines for all key project activities.
 - (iii) Long-term national experts deployment in PIU will be rationalized and a performance based retention/extension system will be established
 - (iv) Changes will be made in the Loan Allocations to meet enhanced requirements for salary, equipment and O&M Budget.
 - (v) Informal weekly/monthly forums will be created for exchange of ideas and experience on key issues and challenges of implementation
 - (vi) Commune Procurement Boards and CDBs will be given legal cover through a provincial decree to enable them to carry out the assigned tasks
 - (vii) A full time position of community facilitator will be created at each target commune to manage community mobilization, organization of CDBs and M&E responsibilities.
 - (viii) A National Management Expert, with previous experience in IFAD/integrated participatory rural development projects, be engaged for six months immediately to assist PIU in quick implementation of actions agreed during the MTR.

I. Conclusion

90. Despite initial slow start, the 3PAD project has picked up implementation pace considerably over the last one year. All the institutions, systems and manuals are in place and considerable capacity and understanding has been built in the PIU and implementing agencies to further improve the quality and pace of activities during post-MTR period. *The mission rates overall implementation progress to be moderately satisfactory.* However the key will be to quickly implement the all the agreed changes in policy, approach, targeting, activities, participatory institutions and capacity development. This can be greatly facilitated with provision of a National Management Expert for a period of six months to PIU to assist it in putting together the required plan for all the policy, procedure, manuals/PIM and capacity/institutions, procurement related changes/actions in a sequential and coherent manner. The key areas for early attention would be:
- Issuance of Guidelines for priority targeting of poor upland villages with more than 50% poor households and priority targeting of poor households in all activities
 - Provincial Policy on allocation of land to the landless; necessary changes in land allocation manual in the light of new Provincial Policy;
 - Coordination framework for the agro-forestry activities contained in component 1, 2 and 3.
 - Adoption of MOSEDP approach for commune and district planning. Issuing of necessary guidelines, provincial decisions, commune and district training and conduct of MOSEDP
 - Development of a cohesive Value Chain Development strategy, pulling together all project's value chain related activities and investments, with focus on three/four key value chains and linking them up in a structured manner with CIG/LARCs and APIF activities and investments
 - Revision of APIF Manual to promote trilateral partnership between candidate businesses/enterprises, Government and villages/communities/raw material producers; independent assessment of currently selected four enterprises and improvement in selection processes to make it more transparent; improvement in agreements to make them enforceable.
 - Expansion of activity and investments menu of CIGs and LARCs to include extended range of livelihood activities

- Strengthening of decentralized implementation, local ownership and empowerment through promotion of self-implementation of simple schemes by CDBs and issuance of required provincial decree in this regard as well as appropriate revision in CDF Manual, PIM and Project logframe.
 - Improvements in institutional capacity and procedures of PIU, DIUs and CPCs as per MTR recommendations.
91. IFAD and the Government of Socialist Republic of Vietnam endorse the findings of the supervision mission.

Rab Nawaz
Poverty Reduction Specialist/
Mission Leader

Date

[Name of government representative]
[Title of government representative]

Date

Appendices and Annexes

- Appendix 1. Summary of project status and ratings
 - Appendix 2. Progress against previous mission recommendations
 - Appendix 3. Financial: Actual financial performance by financier; Disbursements by category and by component
 - Appendix 4. Compliance with financing agreement covenants: Status of implementation
 - Appendix 5. Physical progress measured against AWP&B and appraisal targets, including RIMS indicators
 - Appendix 6. RIMS table
 - Appendix 7. Learning and innovation
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- Annex VI. Technical Paper on Key Project Management Aspects
 - Annex VII. Loan Reallocation for Categories VI, VII & VIII – Rationale
 - Annex VIII. Issues and Options for Value Chain Development and Private Sector Engagement under 3PAD
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Appendix 1: Summary of project status and ratings

Basic Facts

Country	Viet Nam	Project ID	1477	Loan/DSF Grant No.	768
Project	Pro-Poor Partnerships for Agroforestry Development Project			Supp. Loan/DSF Grant	
Date of Update	17 May 2012			Financing terms	HC
Supervising Inst.	IFAD/IFAD				
No. of Supervisions	3	No. of Implementation Support/Follow-up missions	0		
Last Supervision	27 Aug 2011	Last Implementation Support/Follow-up mission			

					USD million	Disb. rate %
Approval	17-Dec-2008			Total costs	25.33	
Agreement	16-Feb-2009	Effectiveness lag	5.4	IFAD Total	21.00	
Effectiveness	27-May-2009	PAR value	-----	IFAD loan	21.00	22%
MTR				DSF grant		
Current completion	30-Jun-2015	Last Amendment		IFAD grant		
Current closing	31-Dec-2015	Last Audit	April 2012	Domestic Total	3.68	
No. of extensions	0			Beneficiaries	1.26	1%
				Government (National)	2.42	28%
				Cofinancing Total	0.65	
				GEF	0.65	40%

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	5	5	1. Quality of project management	5	5
2. Acceptable disbursement rate	3	3	2. Performance of M&E	4	3
3. Counterpart funds	4	2	3. Coherence between AWPB & implementation	4	3
4. Compliance with loan covenants	5	4	4. Gender focus	3	4
5. Compliance with procurement	5	5	5. Poverty focus	3	3
6. Quality and timeliness of audits	5	5	6. Effectiveness of targeting approach	4	3
			7. Innovation and learning	5	4
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
Component 1. Sus, FLUP and LFA	4	4	1. Institution building (organizations, etc.)	4	3
Component 2. Income for Poor	3	3	2. Empowerment	4	3
Component 3. Innov Env Opps	4	4	3. Quality of beneficiary participation	4	3
			4. Responsiveness of service providers	4	4
			5. Exit strategy (readiness and quality)	N.A.	2
			6. Potential for scaling up and replication	5	5

B.5 Justification of ratings: Rating for counterpart funds have been downgraded due to persistent problems with timely disbursement of funds over last six months. Effectiveness of targeting approach also downgraded due to non-coverage of upland poor villages and absence of a clear targeting strategy. Component 1 downgraded due to lack of policy for land allocation for the landless. Empowerment and quality of beneficiary participation also downgraded due to lack of further decentralization to CDBs and less than optimal coverage of poor households in CIGs and LARCs

Overall Assessment and Risk Profile

		Last	Current
C.1	Physical/financial assets	3	3
C.2	Food security	4	4
C.3	Overall implementation progress (Sections B1 and B2)	4	4
<p>Rationale for implementation progress rating: Provincial Government and PIU remain committed to further improve the projects targeting, implementation processes and policy environment. Disbursements have improved from 16% during last Supervision in Aug 2011 to 22%. If pending disbursements in pipeline for the completed works are included, then the physical progress goes up to 32%. PIU would need to expedite the withdrawals and disbursements for the completed works over the next three months.</p>			
C.4	Likelihood of achieving the development objectives (section B3 and B4)	4	4
<p>Rationale for development objectives rating: With PPC and PIUs stated commitment to further sharpen the poverty focus of project interventions both in geographical and household terms, the projects likelihood to achieve its development objective would further brighten. Development of an integrated value chain approach in post MTR period will have further positive impact on incomes and poverty reduction.</p>			
C.5	Risks <i>Short description of major risks for each section and their impact on achievement of development objectives and sustainability</i>		
	Fiduciary aspects	No significant risk evident at present	
	Project implementation progress	High staff turnover at commune and district level remains an issue and commune and district staff trained by project move on to other positions after short intervals. Empowerment and decentralization of activities at commune and village level remains limited and needs to be deepened through a revised approach and issuance of supportive regulations and decrees. Coordination between line agencies and agro-forestry related activities under three components needs improvement to achieve integration and enhanced impact. There is considerable negative competition from National programmes 30-A and 147 with their generous subsidy based approach which needs to be addressed.	
	Outputs and outcomes	Physical progress for all key activities remains satisfactory. Quality aspects of targeting and coordination and integration need further improvements for enhanced impact on project's target group.	
	Sustainability	The project lacks clear guidelines on how to integrate the project with national and provincial programmes and projects. Project implementation relies on contract basis to provide financial resources to line agencies and communes without institutional change, replication or institutionalization.	

Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Targeting	Priority targeting of poor upland villages with 50% or more poor households in all communes and issuing of necessary guidelines and strategy	By the end of Aug 2012	
Policy for Allocation of Land for landless	There is no provincial policy for land allocation to the landless and land is being allocated to only those households which are currently in occupation of land in question or have an established historic claim. Landless, particularly Mong and Dzao who migrated from Cao bang in 1980s are currently bypassed in this activity which automatically filters them out of many other project activities linked to land allocation.	By the end of August 2012	
Value Chain Development.	Revise the project implementation and guideline manuals to make pro-poor value chains the central themes for planning at the village and commune levels and project should support formulation of MOSEDP at commune level. All Value chain related project activities and inputs be integrated with assistance from a Value Chain National Advisor along with supportive guidelines and strategy	By the end of December 2012	
Empowerment and Commune Capacities	Decentralize implementation of simple schemes to CDBs along with supportive provincial regulations and build capacity of communes in community participation aspects through provision of full-time Community facilitators.	By end of December 2012	

Appendix 2: Progress against previous mission recommendations

Action Area	Action Agreed	Whom	Agreed Date for action to be taken	Progress in completion of action
Main points	(1) Implementation guidelines for CDF. Review and approve practical guidelines for implementation of three parts of CDF, i.e., Infrastructure (55%) Pro-poor agro-forestry investment grants (24%) and Output-based Service contracts (21%).	PPMU, PPC	Within August 2010	Completed
	(2) Revision of CDF targets. Revise the CDF service delivery and agro-forestry revolving fund targets to speed up the implementation for the rest of 2010 and 2011.	PPMU, DARDCEWs	Within August 2010	Completed
	(3) Financial management at commune level. Set up procurement and accounting system for communes with CDF in 2010 valid for disbursement, especially, where infrastructure works have been in construction.	CMB, PPMU	On-going	Completed
	<p>(4) Recruit PMU staff.</p> <ul style="list-style-type: none"> ▪ Recruit more infrastructure staff at province (2) and district (3) levels and enhance personnel system at all levels of province, district and commune. These staff should have a civil engineering background to support the CMBs in 3 project districts as the investment owners for planning, designs, procurement, contract management, operation and maintenance of CDF schemes. ▪ Recruit gender specialist (1), monitoring and evaluation officer (1) and knowledge management officer (1) 	PPMU	August-October 2010	Completed
	(5) Follow up CDF training for all levels of staff. Training of staff at province, district levels and staff and leaders at commune level in practical guidelines for CDF implementation.	DPMU, PPMU	August 2010 Onwards	Completed
	(6) Poverty focus. Ensure that the major emphasis of CDF is to provide benefits for poor and near-poor households on forest lands	PPMU	On-going	Partial – targeting needs policy support and revised pro-poor strategy

	(7) Partnership with DONRE. Develop a closer working partnership with DoNRE to ensure project sustainability	PPMU, DoNRE (provincial and district levels)	As soon as possible	Partial
Component 1. Sustainable and Equitable Forest Land Management.	(8) TORs for FLA consulting form. Prepare ToR and bidding document to select a consultancy firm to implement forest land use planning at 14 communes and carry out FLA in 3 target communes of 3 project districts.	3PADPMU	As soon as possible	Completed
Sub-component 1.1: Forest Land Use Planning and Allocation	(9) Training on FLA. Organize training courses to improve knowledge and skills to staff of related agencies at district who will involve to FLA at project sites	3PAD' PMU and consultant	After consultancy firm has joined the Project	has conducted ToT training for staff in the working group on land allocation.
	(10) FLUP at commune level. Carry out general forest land use planning at commune level for creating a basic condition to FLA. Outputs of this activity include a proposal for FLA at the project commune plus 3 kinds of maps including: (i) current forest status and area map, (ii) current forest land use map and (iii) current allocated forest land map.	Consultant firm in collaboration with district DONRE unit, Forest Protection Station and local authority	Aug-Sep 2010	Completed
	(11) Village meetings. Organize and facilitate village community meetings to discuss and get the consensus among households in dividing the land and settle the conflict issues	Consultancy firm and CPC and village households	Sep-Oct 2010	Completed
	(12) Land boundaries. Guide households to divide the land in the field to make clear boundary of their forest plots by themselves.	Consultancy firm and CPC leading and households do it by themselves	Sep-Oct 2010	Completed
	(13) Cadastral maps. Carry out mapping and drawing cadastral map to determine the location and area of each allocated plot of households and possible forest area allocated to village community	Consultant firm in collaboration with district DONRE unit	Oct-Nov 2010	Completed
	(14) Verification of maps. Finalize cadastral map and all required document to get verification and approval by district authority	Consultant firm in collaboration with district DONRE unit	Oct-Dec 2010	Completed)
	(15) LURCs. Issue land use right certificate (LURC) to household and village community	DONRE unit and district People Committee	Dec 2010 onward	Completed

	(16) ESIA. Carry out a Project Environment and Social Impact Analysis (ESIA) incorporated into the FLUP process, overseen by the Commune Councils and Commune Management Boards (CMBs). ²	3PAD' PMU and consultancy firm	Aug-Sep 2010	Not done yet and needs to be completed at earliest
	(17) Poverty monitoring. Monitor the number of poor households with increased access to forest resources and the number of poor households receiving forest land allocation	PMU - Monitoring and Evaluation (M&E) Unit	From 2010 onwards	Completed
Sub-component 1.2: Forest Land Access and Use	(18) CFMBs. Establish Community Forest Management Boards (CFMBs) in the village where natural protection forests have been allocated to village community to take the leading role for forest management.	DARD and local authority	Dec 2010 onward	Not implemented fully
	(19) Digital maps. Supply satellite maps and high resolution photograph maps to project districts and communes to support the construction of forest land use planning (FLUP) of household and community scales.	3PAD' PMU	Aug 2010	Completed
	(20) Training on forest management. Carry out several types of training course to improve capacity of related agencies' and local staff, community members who are involved in FLUP process at project sites. This includes different topics such as: 1) Forest management and biodiversity protection at commune level 2) Forest-base livelihood promotion 3) FLUP at commune level 4) Produce forest seedling nursery in household and community scale	DARD	Aug-Oct 2010	Completed
	(21) Regular meetings of the FMB. Facilitate the meeting of forest management board (FMB) at commune and village levels to support FLUP at local area	DARD	Monthly meeting	Completed
	(22) Pilot communes. Facilitate and assist FLUP and forest management of households and communities in 3 target commune projects	DARD	Sep-Nov 2010	Completed

²The ESIA process will address social risks, related to ensuring equity and maximizing benefits to poor households, women and ethnic minorities; environmental risks related to minimising damage to the natural resource base and preserving biodiversity; and institutional sustainability risks related to inter-agency cooperation and the future rollout of the land use planning and allocation process across the province.

	(23) Gender analysis for forest use. Carry out a gender analysis of community forest use to inform community forest management plans and ensure practical gender needs, especially women's use of forest products to supplement household food intake, are taken into account.	PMU	November 2010	Not yet done
Sub-component 1.3: Integrating Ecosystem Conservation into Forest and Land Use Planning	(24) Assessment planning. Rapid assessment on environment improvement planning	PMU and consultant	Sep-Nov 2010	Not yet done
	(25) Assessment biodiversity management. Rapid assessment of innovated ideas on forestry-based biodiversity management	PMU and consultant	Sep-Nov 2010	In process
	(26) Outreach/Awareness activities	PMU and consultant	Nov-Dec 2010	Partial
Component 2: Generating Income Opportunities for the Rural Poor				
Sub-Component 2.1: Community Driven Technology and Service Development	(27) Appropriate technologies. Set criteria for and select promising opportunities to improve incomes of forestland households with a focus on agro-forestry and livestock to be included in the "roadshow".	Taskforce (PPMU (chair) DoST, PEC, DAFES, DARD)	September 2010	Completed
	(28) The roadshow. Establish a taskforce (provincial DoST, PEC, DAFES and DARD), to plan agenda, schedules and deliver awareness roadshows in target districts and communes.	PPMU (chair) DoST, PEC, DAFES, DARD	October 2010	Partial
	(29) First PAR. Design TOR and implement PAR focused on agro-forestry farming systems incorporating livestock in Pac Nam and improve PAR capacity through learning-by-doing.	PPMU, PAR Service Provider Contract	November – on-going	Completed

	(30) DOST. Develop partnership with DoST to capitalise on their technical expertise and for a greater involvement in the adoption of technical innovations	PPMU, DoST	As soon as possible	Completed
	(31) Focus training. Analyse CDP and CIG training needs and develop a curriculum and schedule for delivery of training needs that focuses on priority needs and rationalises the number of training courses.	PPMU , DARD	October 2010	No need assessment done
	(32) Training WU. Train WU at the district and commune level in the process of moving from broad areas of training needs to TORS for specific output based service delivery contracts to deliver knowledge and practical skills.			Completed
	(33) Construction of LARC facilities. Utilise any under-expenditure in the construction of LARC meeting facilities by (i) increasing the maximum 3PAD budget for meeting houses by 10% per year (i.e. to 26.5 million VND for 2011) to account for inflation; (ii) utilise any remaining funds for construction of additional meeting houses (i.e. exceed the target of 150 meeting houses) and/or (iii) include low cost equipment (e.g. notice boards, white boards) as part of the meeting house costs.	PPMU, Women's Union, LARCS	Immediately	Completed
	(34) Service delivery contracts. Revise the structure and content of service delivery contracts to improve clarity, accountability and responsibility and to promote the outcome expected from services provided.	PPMU	As soon as possible	Completed but needs further refinement
	(35) National consultant for output based contracts. Recruit the National CDF Consultant and train PPMU, DARD, CEWs, District and Commune Women's Union in the procedures for CIG service delivery from needs identified, developing TORs and Output Based Contracts. The needs from all VDPs are summarised to develop area of generic training to build knowledge are identified and TORs prepared as a step in delivery of district based training programs.	PPMU	By September 2010	Completed
	(36) International consultant for output based contracts. Recruit the International CDF Consultant to review progress and assist in development and training for quality assurance and M&E of output based contracts	PPMU	By April 2011	Not done
Sub-Component 2.2	(37) BISC. Organise Center-BISC around services rather than economic sectors to allocate more efficiently the staff, differentiate capacities, strategies, activities, etc.	BISC	For consideration	BISC still not fully capacitated

Investment for Growth	Therefore, each service will have its own responsible, capacities required, deliverables, etc.			
	(38) Administrative staff. Recruit another administrative staff to work at the BISC to carry out 3PAD activities	BISCPMU	By August 2010	Completed
	(39) Technical assistance to BISC. Identify a technical assistance provider to assist the BISC in challenges related to private sector partnerships, inclusive business and investment promotion.	IFAD	By end of 2010	Completed
	(40) Land for office establishment. Allocate land for an office housing BISC and PMU to be built.	PPC	As soon as possible	Completed
	(41) District capacity building for CDF implementation. Provide ToT training courses to DPMU in revised CDF manuals and practical guidelines for three parts of CDF. For infrastructure, training on key indicators for quality control, community supervision at commune and village levels.	PPMU	August 2010 Onwards	Completed
	(42) Commune capacity building for CDF implementation. Train CMBs on practical guidelines for implementation of three parts of CDF; CDF planning and implementation; key indicators for quality control, community supervision at commune and village levels, and procurement	DPMU, PPMU	August 2010 Onwards	Completed
	(43) Review infrastructure staff. Review demands about infrastructure staff for CMB in 48 communes and select staff from CPC or the GoV programme;	CPC, DPMU, PPMU	August 2010	Completed
	(44) Community Supervision of infrastructure. Develop practical manuals levels for organization and mobilization of community supervision at commune and village.	PPMU	September 2010	Completed
	(45) CDF guidelines on infrastructure. Develop "Detailed Procedure for the Implementation of Infrastructure in the CDF". The project shall ensure that the CDF to be managed by the project communes as the investment owners.	PMU	August 2010	Completed
	(46) Procurement in the CDF manual. Review the CDF manual and make relevant revisions on procurement procedures in consistence with the IFAD procurement guidelines and national procurement Law.	PMU	August 2010	Completed

	(47) Financial management at commune. Train CMB accountants from 48 communes on finance management of the project and accounting of works	PPMU	September 2010	Completed
	(48) Include near poor households for agroforestry revolving fund. Revise the CDF Manual to include near poor households to access the agro-forestry revolving fund and all aspects of the service delivery support. This will increase the number of eligible households from 8900 to 12,200	PPMU	Immediately	Completed
	(49) Review uptake of agroforestry revolving funds. Review the uptake of the Agro-forestry revolving fund (with no change to expenditure eligibility) during the 2011 supervision mission.	PPMU, Supervision Mission, IFAD	July 2011	Completed
	(50) Focus of agroforestry and output based contracts for 2011: The Mission has discussed this with project staff and emphasises that the focus for the remainder of 2010 and for the 2011 AWPB should be: <ul style="list-style-type: none"> • Completion and approval of the procedures for disbursement of the agro-forestry revolving fund and service delivery contracts; • Training at the commune level on development of TORs, milestone descriptions and payment schedules for the service delivery contracts • Create awareness of proven technical opportunities for CIG members in target communes; • Revise and increase the targets for agro-forestry loans and service delivery contracts in 2011 and beyond to bring disbursement back to expected levels; • Design and implement at least one PAR activity and use that as a learning opportunity for staff at the district and commune level. • Commence work on the legal framework and operational guidelines for Service Provider Associations. 	PPMU	2010-11	Completed

Component 3. Innovative Environmental Opportunities				
Sub-component 3.1: Conservation Based Forage Production	(51) Forage consultant. Prepare ToR and bidding document to select national and international short-term forage consultants	3PAD' PMU	As soon as possible	Completed
	(52) Technical assistance. Recruit the consultants for technical assistance	3PAD' PMU	Sep 2010	Completed
	(53) Farming systems on sloping lands. Conduct the survey of current land use and farming systems on sloping lands in project districts and especially at 3 targeted communes.	Consultants	Sep-Oct 2010	Completed
	(54) Seeds. Import seeds of grass and fodder species	3PAD' PMU	Oct 2010	Progress on grass seeds satisfactory. Fodder species facing problems in MARD clearance
	Seed nurseries. Distribute forage seed and grass to schools and villages for adaptation testing, pilot cultivation, develop seed nursery and expansion the cultivation of these species in the project site areas	3PAD' PMU	Dec 2010	Completed
	(55) Conservation farming. Prepare of conservation based farming curricula for schools in the uplands.	DOST to collaborate with DOTE and DARD	Sep 2010	Completed
	(56) Training on fodder. Organize training programs to teachers on fodder crops farming systems in sloping land	DARD and DOST	Oct-Nov 2010	Completed
	(57) Assessment. Assessment on potential using bio-energy at project area	Consultant	Sep. 2010	Completed
	(58) Bio-energy use. Training courses conducted to guide communities to produce and use of bio-energy	Consultant	Nov – Dec. 2010	Not yet conducted
Sub-component 3.2: Payment to environment Service (PES)	(59) Consultants for PES. Prepare ToR and bidding document to select consultant firm to conduct assessment of potential applications of PES policy in Bac Kan province	3PAD' PMU	As soon as possible	Completed

	(60) Assessment of PES. Carry out assessment of PES at project site areas	Consultant firm	Oct 2010	Completed
	(61) Training. Organize training courses for staff at province, district and commune level on PES policy	Consultants	Oct-Nov 2010	Completed
	(62) Testing of PES. Carry out necessary activities to plan and prepare for implement of PES at proposed project sites.	PMU and consultant	Aug onward to the end of 2010	In process
Sub-component 3.3: Ecotourism.	(63) Ecotourism. Recruit an international experts to develop ecotourism program for Bac Kan province	International consultant	Nov-Dec 2010	Completed
	(64) Pro-poor Eco-tourism. Implement community-based eco-tourism at Ba Be lake to support to household livelihood improvement link to environmental protection	Department of Culture, Sport and Tourism and BISC of target commune project site.	Aug-Dec 2010	Completed
	(65) Capacity building. Training courses will be conducted to community' members of project sites who live in near Ba Be lake and involve in ecotourism service	Department of Culture, Sport and Tourism and BISC of target commune project site.	Sep-Nov 2010	Completed
Project Management performance	(66) Project Director status. Consider the appointment of the Project Director to be equivalent to a Deputy Director of a Department.	PPC	As soon as possible	Not yet done
	(67) Decree 204 cost norms. Apply Decree 204 cost norms for compensation of key project staff including at the district level	PPC	As soon as possible	Completed
	(68) Procurement/infrastructure staff. Recruit 2 additional procurement/infrastructure staff in the PMU and 3 additional staff at the District level (one/district). Their staffs should have a civil engineering background to support the CMBs in 3 project districts as the investment owners for planning, designs, procurement, contract management, operation and maintenance of CDF schemes	PPC to endorse, PMU to recruit	By August 2010	Completed
	(69) Additional PMU staff. Recruit gender specialist (1), monitoring and evaluation officer (1), knowledge management officer (1), component 2 staff (2), and accountant (1)	PPC to endorse, PMU to recruit	By end of 2010	Completed

	(70) Training on infrastructure investments. Train province, district and commune level about procedures, guidelines and manuals relating to infrastructure investment from the 3PAD.	PPMU	September 2010	Completed
	(71) GEF grant. Expedite the processing of the GEF grant so that the technical assistance positions can be filled (international forage expert, M&E expert, etc.)	IFAD, MoF	By August 2010	Partial progress. Needs to be considerably improved
	(72) Consultants' recruitment. Recruit competent national staff on short term and output-based contracts	PMU	From now till end of Project	Not yet done
Monitoring and Evaluation	(73) Revision of M&E framework. Revise the M&E Framework to include indicators at the Sub-component and Component levels, introduce qualitative performance measures, disaggregate by gender and poverty and introduce case studies to measure the financial impact for a proportion of the CDF investments in infrastructure, service delivery and agro-forestry revolving funds.	PPMU	As soon as possible	Partially done
	(74) Project Management Information System (PMIS). Develop PMIS at province level to manage all infrastructure works through two stages : (1) Simple PMIS should be developed in Ms. Excel software for key information; and (2) Professional PMIS will be developed on database and inherit results from stage (1)	PPMU	September 2010	Completed
	(75) Train staff on PMIS. Based on simple system of PMIS, train infrastructure staff at district and commune levels and provide a brief and practical guidelines	PPMU	September 2010	Completed
	(76) M&E and infrastructure. Revise linkage between monitoring and evaluation unit and infrastructure unit at PPMU, DPMU and CMB about controlling quality of infrastructure investment and provide practical instructions. PPMU is responsible for province and district level. DPMU is responsible for district and commune level.	PPMU, DPMU	September 2010 onwards	Completed
Gender and Poverty focus	(77) Gender and infrastructure. Provide practical and detailed instructions on gender issues for guidelines of the consultation process at survey & design stage, community supervision and O&M at village level.	PPMU	October 2010	Completed
	(78) Training on gender and infrastructure. Training in these applications should be provided to CMB and VDBs	DPMU and CMB	October 2010	Completed

	(79) Training on working with ethnic minorities. Provide training to extension staff on methods of working with vulnerable groups (poor people, ethnic groups, and women) to enhance understanding of ethnic minority agricultural practices	DPMU and CMB	October 2010	Completed
	(80) Recruitment of extension staff. To the extent possible, recruit extension staff should be from local ethnic minorities (men and women) and local language skills. The recruitment of women extensionists (with local language skills) is key to ensure extension services can be provided in local languages at the commune and village levels.	PMU	From now till Project end	Completed
Effectiveness of targeting approach	(81) Incorporation of the Poor. Ensure that the VDPs: <ul style="list-style-type: none"> ▪ Include self-assessment and poverty-ranking exercises to allow sub-groups of poor, ethnic minorities and women to be consulted ▪ Use the village level land use planning to orient VDPs to better target productive CDF investments to land use capability, improve environmental management, to ensure that the proposed production systems are within the carrying capacity of the available land resources. 	PMU	From now till Project end	Completed
Partnerships	(82) Learning. 3PAD should use the lessons learnt from CARE with regards to LARCs to spread impact to all communes in the three project districts; and VOICE with regards to decentralisation	PMU	Immediately	Completed
Knowledge management	(83) Set up a systematic library of guidelines, manuals, samples of outputs at province, district and commune levels.	PPMU, DPMU	November 2010	Completed
Financial Management	(84) Consolidation of financial management regulations. Review and synthesise; the separate financial management regulations into the FMM	PMU	August	Completed
	(85) CDF manual (disbursement procedures). Issue specific guidance financial procedures and disbursement on CDF.	PMU	As soon as possible before the FMM to be adjusted	Completed
	(86) Regular monitoring. Monitor regularly the accounting and financial management of IAs and communes;	PMU	On a quarterly basis	Completed

	<p>(91) Withdrawal applications</p> <ul style="list-style-type: none"> ▪ Calculate and fill correct accumulated accounting data in the next Was ▪ Verify the special consumption tax imposed on imported spare parts of cars 	PMU	from WA BACKAN_04 onward	Completed
Counterpart Funds.	<p>(92) Counterpart Funds. IFAD to review periodically the level of counterpart funds being provided to 3PAD and issue notice to the PPC.</p>	IFAD	At the end of each financial year	Completed
	<p>(93) Counterpart contributions. Regarding to preparation of practical guidelines for CDF infrastructure investment, regulations on acceptance of construction work including counterpart fund contribution by locals should be provided.</p>	PPMU	July 2010	Completed
Procurement	<p>(94) Principles of procurement. Set up key principles of controlling quality of procurement among PPMU, DPMU and CMB. Provide training courses to leaders and infrastructure staff from PPMU, DPMU and CMB on key indicators for quality control at every step of project cycle</p>	PPMU, DPMU, CMB	September 2010	Completed
	<p>(95) Procurement plan. Prepare procurement plan for infrastructure schemes under the CDF with package names, cost estimations of the packages and funding sources, procurement methods, requirement for prior/ ex-post review and implementation schedules (using the procurement plan format) and submitted to IFAD for approval before its implementation.</p>	PPMU/ CMBs	July 2010 onward	Completed
	<p>(96) Revise CDF manual (procurement section). Review the CDF manual and make relevant revisions on procurement procedures in consistence with the IFAD procurement guidelines and national procurement Law.</p>	PPMU	July – August 2010	Completed
	<p>(97) Detailed guidelines for CDF. Develop detailed guidelines for CDF planning and implementation with simplified procedures, clear instructions and simple forms for use by CMBs.</p>	PPMU	July – August 2010	Completed
	<p>(98) Trainings on CDF. Carry out trainings on CDF manual/ guidelines and provide intensive supports on CDF planning and implementation for CMBs at the initial stage of CDF implementation. In addition, the project should organize short training courses (3-5 days) on procurement law for CMB staffs including awarding the procurement certifications to graduated trainees.</p>	PPMU	August 2010 onward	Completed

	(99) Payments to contractors. Process payments for completed works under the CDF in compliance with payment schedules specified in the contract documents.	PPMU/ CMBs	July 2010 onward	Completed
	(100) Commune investment ownership. Ensure that <i>the CDF to be managed by the project communes as the investment owners.</i>	PPC/ PPMU	July 2010 onward	Completed
	(101) Advertising for consultants. For international/national consultant selections, besides having advertisement on newspapers, send procurement notices and the TORs to post on websites such as the NGO Resource Centre www.ngocentre.org.vn , IFAD Vietnam www.ifad.org.vn	PPMU	July 2010 onward	Completed
	(102) Bidding documents. Do not include origin or brand names of goods in the bidding document as specified in IFAD Procurement Guideline (Paragraph 47). If it is necessary to quote a brand name or catalogue number of a particular manufacturer to clarify a specification, the words "or equivalent" are to be added after such reference.	PPMU/ CMBs	July 2010 onward	Completed
	(103) Duration of bid preparation. Determine duration for bid preparation specified in the bidding document in line with minimum duration specified in the IFAD Procurement Guidelines and the Procurement Law.	PPMU/ CMBs	July 2010 onward	Completed
	(104) Institutional sustainability. Ensure issues of institutional sustainability and coordination with IAs and national targeted programmes (P30A and NTP-NRD) is discussed	PSC and PMU	immediately	Completed
Technical sustainability	(105) Annual assessment of infrastructure. Carry out annual assessment and inspection of infrastructure for each district. The task force should comprise of infrastructure staff from PMU, from DPMU, CMB, VDB and representatives of beneficiaries. If works are in warranty period, the participation of contractor is necessary.	PPMU, DPMU, CMB, VDB, Beneficiaries	November every year	Completed
	(106) Peer review of annual assessment. Carry out a peer review of the annual assessment and inspection survey. Members for the evaluation mission come from some district authorised agencies and PMU, DPMU, CMB, VDB and representatives of beneficiaries. It is good idea that one PMU infrastructure staff could join this mission.	PPMU, DPMU, CMB, VDB, Beneficiaries	March or April in every year	Completed

	(107) O&M. Ensure that: (i) community supervision board is developed before any works is starting for construction; (2) O&M plan is prepared; (3) warranty process is carried out under practical guidelines of CDF infrastructure investment.	PMU and CMB	September 2010	Completed
	(108) O&M guidelines. Make clarifications about O&M guidelines and manuals for village-scale infrastructure works. Invite consultancy to prepare practical and technical manuals for O&M of village-scale works. That should be approved by PPC with reference to DARD.	PPMU	October 2010	Completed
	(109) Training on O&M. Invite consultancy to provide ToT training courses to DPMU and CMB in O&M including effective use of water for irrigation sites and water supply schemes.	PPMU	October 2010	Completed
Environmental Sustainability	(110) Incorporate into AWP&B activities relating to develop agriculture production in effective use of water and earth protection.	PPMU	March in every year	Completed

Appendix 3: Financial: Actual financial performance by financier; disbursements by category and by component

Table 3A. Financial Performance by Financier

Financiers	Approval (USD '000)	Disbursements (US\$ '000) in 2012	Accumulative as of 30/4/2012- US\$	% Disbursed
IFAD loan	21,000	2,350.97	6,768.29	32%
IFAD grant-(GEF)	650	109.39	257.65	40%
Government Beneficiary Contribution	2,415	66.17	685.15	28%
	1,265	-	17.34	1%
Total	25,330	2,526.52	7,728	31%³

Table 3B: Financial performance by financier by component (USD '000)

Component	IFAD loan			IFAD grant			Government			Domestic 1			Approved Programme Cost		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Disbursed	%
Component 1	2,885.80	732.10	25%	214.60	41.46	19%	104.40	17.45	17%	0.00	-	0%	3,204.80	791.01	25%
Component 2	15,276.10	2538.69	17%	0.00	-	0%	1004.50	46.55	5%	1,265.00	17.01	1%	17,545.60	2602.24	15%
Component 3	978.00	292.80	30%	307.69	136.69	44%	53.40	2.16	4%	-	-	0%	1,339.09	431.65	32%
Component 4	1,860.20	1033.72	56%	132.25	79.50	60%	1253.10	619.00	49%	-	-	0%	3,245.55	1732.22	53%
Total	21,000.10	4597.31	22%	654.54	257.66	39%	2415.40	685.15	28%	1265.00	17.01	1%	25,335.04	5,557.13	22%

³ Includes actual disbursements and disbursements in pipeline for the completed works

Table 3C: IFAD loan disbursements (SDR, as at 30-04-2012)

Category	Category description	Original	Revised	W/A pending	Balance	Per cent disbursed
		Allocation	Allocation			
I	Civil Works	370,000.00	52,993.80		305,163.17	14
II	Technical Assistance, Training and Studies	2,900,000.00	1,060,772.83		1,483,616.14	37
III	Contracted Technical Services Agribusiness Promotion	1,270,000.00	560,281.74		609,033.29	44
IV	Investment Fund	1,340,000.00	55,214.13		1,229,571.73	4
V	Community Development Fund	7,100,000.00	1,993,866.64		4,082,242.45	28
VI	Vehicles, Goods and Equipment	430,000.00	442,609.08		(26,750.30)	103
VII	Salaries	120,000.00	117,018.37		2,981.63	97
VIII	Operations and Maintenance	190,000.00	136,373.70		33,429.13	72
	Unallocated	390,000.00	-		390,000.00	-
	Initial deposit		1,416,883.08		(1,416,883.08)	
	Total	14,110,000.00	5,836,013.37			41.36%

Appendix 4: Compliance with financing agreement covenants: Status of implementation

Section	Covenant	Compliance Status/Date	Remarks
SECTION 2.0 3	<p><i>Special Account.</i></p> <p>(a) The Borrower, through MOF, shall open and thereafter maintain in the VBARD a Special Account denominated in USD, for the purpose of financing the Project. The Special Account shall be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower and accepted by the Fund.</p> <p>(b) After the Special Account has been duly opened, upon the Borrower's request, the Fund shall make one or more withdrawals of up to one million five hundred thousand United States dollars (USD 1 500 000) in the aggregate from the Loan Account on behalf of the Borrower and deposit such amount in the Special Account. When the aggregate amount of expenditures in the Loan Account equals or exceeds SDR 1 600 000, the Fund shall, upon the Borrower's request, increase eligibility for withdrawals up to an Authorized Allocation of two million two hundred thousand United States dollars (USD 2 200 000). The Fund shall replenish the Special Account from time to time upon request, in accordance with Section 4.08 of the General Conditions (Special Account) in such minimum amounts as the Fund may specify, by notice to the Borrower.</p> <p>(c) The Special Account shall be operated by MOF in accordance with Section 4.08 of the General Conditions.</p>	<p>Complied</p> <p>Being complied</p> <p>Complied</p>	<p>(a) The Borrower, through MOF, has opened and thereafter maintain in the VBARD a Special Account denominated in USD, for the purpose of financing the Project Name : PRO-POOR PARTNERSHIP FOR ARGROFORESTRY DEVELOPMENT Account No: 1220.202.004356 VIETNAM BANK FOR AGRICULTURE (VBARD) – LONGBIEN BRANCH</p> <p>(b) After the Special Account was duly opened, upon the Borrower's request, 1 million USD in the aggregate was made available on 16/7/2009. The Borrower made another request for allocation of balance funds and the current allocation stands at allocation, up to the amount of 1.4 million SDR</p> <p>(c) The Special Account is being operated under the MoF – The Department of Debt Management and External Relations.</p>
Section 2.04	<p><i>Use of Proceeds.</i> The Borrower and each Project Party shall ensure that the proceeds of the Loan are used exclusively to finance Eligible Expenditures in accordance with this Agreement and the General Conditions.</p>	<p>Partially Complied</p>	<p>DARD still needs to ensure proper supportive documentation for Withdrawals though they have made efforts in this regard.</p>
Section 2.05	<p><i>Service Charge.</i> The Borrower shall pay to the Fund a service charge at the rate of 0.75% per annum on the amount of the Loan outstanding from time to time, payable semi-annually on each 15 June and 15 December in the Loan Service Payment Currency.</p>	<p>Not Applicable yet</p>	

Section	Covenant	Compliance Status/Date	Remarks
Section 2.06	<i>Repayments of Principal.</i> The Borrower shall repay the outstanding principal amount of the Loan in fifty-nine equal semi-annual instalments of SDR 235 167 payable on each 15 June and 15 December commencing on 15 June 2019 and ending on 15 June 2048 and one final payment of SDR 235 147 payable on 15 December 2048, in the Loan Service Payment Currency.	Not Applicable yet	
Section 3.01	<i>Project Implementation.</i> The Borrower declares its commitment to the goals and purposes of the Project as stated in Schedule 1 hereof and, in furtherance of such goals and purposes, the Project shall be carried out in accordance with this Agreement, in particular in accordance with Section 7.01 of the General Conditions, and substantially in accordance with the AWPBs; the Procurement Plans; and the Project Implementation Manual.	Being complied	
Section 3.02	<p><i>Annual Work Plans and Budgets and Procurement Plans.</i></p> <p>(a) The PMU shall prepare a draft consolidated AWPB for each Project Year. The draft consolidated AWPBs shall include, among other things, a detailed description of planned Project activities during the coming Project Year, and the sources and uses of funds thereof. In addition to the consolidated AWPB for the first Project Year, a Procurement Plan for all major procurement of goods, works and consulting services covering the initial 18 months after the Effective Date, and annually thereafter, shall be prepared by the PMU together with other concerned Project Parties.</p> <p>(b) The PMU shall submit the draft consolidated AWPB and Procurement Plan to the PSC for its review and endorsement. When so endorsed, the PSC shall submit the draft consolidated AWPB and Procurement Plan to the Fund, for its comments and acceptance, no later than 60 days before the beginning of the relevant Project Year. If the Fund does not comment on the draft AWPB and Procurement Plan within 30 days after receipt, the AWPB and Procurement Plan shall be deemed approved. The Borrower shall ensure that each AWPB and Procurement Plan, substantially in the form so approved, is formally endorsed by the PPC in accordance with local practice. The PMU shall provide copies of the endorsed AWPB and Procurement Plan to the Fund, prior to the commencement of the relevant Project Year.</p> <p>(c) The PPC shall adopt the respective AWPB and Procurement Plan substantially in the form approved by the Fund.</p> <p>(d) If required, the PMU may propose adjustments to the AWPB during the relevant Project Year, which shall become effective upon approval by the PPC and the Fund.</p>	Being complied	National Planning cycle has been missed so far and the projects AWP/Bs have been approved in early January. Project needs to align its AWP/B process with national calendar.

Section	Covenant	Compliance Status/Date	Remarks
Section 3.03	<i>Project Account.</i> Before the Effective Date, the PMU shall open and thereafter maintain in the Provincial State Treasury or another bank proposed by the Borrower and accepted by the Fund, a current account denominated in VND for Project operations, including receiving Loan proceeds from the Special Account and making payments for Project operations (the "Project Account"). The PMU shall be fully authorised to operate the Project Account.	Complied.	Date of effectiveness: 27/5/2009 Date of opening the Project Account: 17/2/2009 Acc No: 943.20.00.00005 at Provincial State Treasury
Section 3.04	<i>Availability of Loan Proceeds.</i> (a) Without prejudice to Section 3.04 (b) below, the Borrower shall make the proceeds of the Loan available to the Lead Project Agency and each other Project Party in accordance with the AWPBs and its customary national procedures for development assistance to carry out the Project. (b) In addition to the proceeds of the Loan, the Borrower shall make available to the Lead Project Agency and each other Project Party during the Project Implementation Period counterpart funds from its own resources in an aggregate amount of USD 2.41 million equivalent in accordance with its customary national procedures for development assistance.	Being complied.	The Provincial Peoples' Committee of Bac Kan province is providing resources for taxes, salaries, allowances. It is now being provided on quarterly basis as per new government guidelines. 2 nd quarter budget is yet to be released.
Section 3.05	<i>Additional Resources.</i> In addition to the proceeds of the Loan, the Borrower shall make available to the Lead Project Agency and each other Project Party, promptly as needed, such funds, facilities, services and other resources as may be required from time to time to carry out the Project in accordance with this Agreement, and in accordance with Section 7.03 of the General Conditions.	Being complied.	
Section 3.06	<i>Procurement.</i> All procurement financed by the proceeds of the Loan shall be carried out in accordance with Schedule 4.	Being complied.	
Section 4.01	<i>Monitoring.</i> As soon as practicable but in no event later than three (3) months after the Effective Date, the PMU shall establish and thereafter maintain an appropriate information management system to enable them to continuously monitor the Project in accordance with the Fund's "Guidelines for Project Monitoring and Evaluation", paragraph 4 of Schedule 3 (II. Additional Covenants) and Section 8.02 (Monitoring of Project Implementation) of the General Conditions, based on indicators agreed by the Borrower and the Fund.	Being complied.	In 2011, the annual impact survey was carried out. No Annual M&E Plan being prepared nor any resources separately allocated for it. This needs early attention.
Section 4.02 Atsuko	<i>Progress Reports.</i> (a) The PMU shall submit to the PPC and the Fund six-monthly and consolidated annual progress reports on Project implementation, as required by Section 8.03 (Progress Reports) of the General Conditions, no later than two (2) months after the end of each six-monthly period during the Project Implementation Period.	Being complied.	

Section	Covenant	Compliance Status/Date	Remarks
Section 4.03	<p><i>Mid-Term Review.</i></p> <p>(a) The Fund, jointly with the Borrower and the Lead Project Agency, shall carry out a review of Project implementation no later than 36 months after the Effective Date (the "Mid-Term Review"), based on terms of reference prepared by the PMU and approved by the Fund. Among other things, the Mid-Term Review shall consider the achievement of Project objectives and the constraints thereon, and recommend such reorientation as may be required to achieve such objectives and remove such constraints.</p> <p>(b) The Borrower shall ensure that the recommendations resulting from the Mid-Term Review are implemented within a reasonable time thereafter and to the satisfaction of the Fund. It is agreed and understood that such recommendations may result in modifications to the Loan Documents or cancellation of the Loan.</p>	Complied.	MTR carried out from 07-17 May with recommendations for priority targeting of poorest villages in remaining project life, revision of forest land allocation Manual to cover landless on priority, reorientation of Component 1 & 2 to a more value chain based approach, better linkages between sub-components, amendment in APIF Manual to make it a pro-poor partnership and conversion of CIGs and LARCs into Saving & Credit Groups.
Section 4.04	<p><i>Completion Reports.</i> The PMU shall submit to the Fund the completion report required by Section 8.04 (Completion Report) of the General Conditions, no later than six months after the Project Completion Date. In addition to those matters specified in said Section 8.04, the completion report shall detail: (i) the concrete steps taken by the Project to assure the sustainability of Project achievements over time; (ii) the extent to which benefits of the Project have reached the Target Group; and (iii) the impact of the Project on the livelihoods of the Target Group.</p>	Not yet applicable.	
Section 4.05	<p><i>Evaluations.</i> The Borrower and each Project Party shall facilitate all evaluations and reviews of the Project that the Fund may carry out during the Project Implementation Period and for ten years thereafter, as required by Section 10.05 (Evaluations of the Project) of the General Conditions.</p>	Not yet applicable.	
Section 5.01	<p><i>Financial Statements.</i> The PMU shall maintain separate accounts and records and thereafter prepare the consolidated six-monthly and consolidated annual financial statements of the operations, resources and expenditures related to the Project required by Section 9.02 (Financial Statements) of the General Conditions in respect of each six-monthly period during each Fiscal Year and deliver such Financial Statement to the Fund within two (2) months after the end of each such period.</p>	Being Complied	3PAD maintains separate accounts and records and thereafter prepares the consolidated annual financial statements of the operations, resources and expenditures related to the Project (not for consolidated six-monthly as required by Section 9.02 (Financial Statements) of the General Conditions

Section	Covenant	Compliance Status/Date	Remarks
	<ul style="list-style-type: none"> (e) The Borrower and PMU shall have duly opened the Special Account and Project Account, in accordance with Sections 2.03 and 3.03, respectively; (f) this Agreement shall have been duly signed, and the signature and performance thereof by the Borrower shall have been duly authorised and ratified by all necessary administrative and governmental action; and (g) a favourable legal opinion, issued by the legal counsel of the Borrower authorised to issue such opinions, in respect of the matters set forth in Section 7.02 hereof and in form and substance acceptable to the Fund, shall have been delivered by the Borrower to the Fund. 		
Section 7.02	<p><i>Legal Opinion.</i> The legal opinion required by Section 7.01 shall favourably address the following matters:</p> <ul style="list-style-type: none"> (a) the conditions precedent specified in paragraph (f) of Section 7.01 have been fulfilled; (b) this Agreement is legally binding upon the Borrower in accordance with its terms regardless of any law to the contrary in its territory. 	Complied.	
Schedule 2 Para. 2.1	<p><i>Lead Project Agency, Designation and Responsibilities.</i> The Provincial People’s Committee (PPC) of the Project Province, in its capacity as Lead Project Agency, shall be responsible for implementation of the Project, including: (a) recruiting/appointing Project staff in line with criteria approved by the Fund; (b) ensuring timely provision of counterpart funds in line with and as required by Section 3.04(b) of this Agreement; and (c) issuing guidelines and decisions for effective implementation of the Project. The Lead Project Agency shall be assisted in its tasks by the PSC and the PMU.</p>	Partially complied.	Counterpart funds not being provided in line with project requirements. Project Director not accorded the official status required to make him effective vis a vis districts and communes and implementing agencies
Schedule 3 Para. 3.1	<p><i>Project Steering Committee. Establishment.</i> Before the Effective Date, the Lead Project Agency shall establish, and maintain throughout the entire Project Implementation Period, a PSC with responsibilities as set forth herein. The PSC shall meet at least semi-annually to approve and review progress of the Project including the APIF. The terms set forth in Schedule 3 para. 3.3 (a) – (g) of the Programme Financing Agreement.</p>	Complied.	
Schedule 3 Para. 3.2	<p><i>Composition.</i> The PSC shall be composed of the provincial departments engaged in Project implementation, the provincial Women’s Union and Farmer’s Association chairpersons and the Chairpersons of the Project Districts, or their deputies, who are District Project Directors. The PSC shall be chaired by the Vice Chairperson of the Lead Project Agency.</p>	Complied.	

Section	Covenant	Compliance Status/Date	Remarks
Schedule 3 Para. 3.3	<p><i>Responsibilities.</i> The PSC shall act as an advisory body to the Lead Project Agency in policy formulation, planning, coordination, supervision and monitoring of the activities, and shall be responsible for the conduct and activities of the PMU. In addition, the PSC shall be responsible for:</p> <ul style="list-style-type: none"> (a) ensuring coordination between the Project and other externally/internally financed projects/programmes and efficient use of Project financial and human resources; (b) providing supporting policy framework and guidelines to the PMU for efficient Project implementation; (c) soliciting/proposing Project supportive policy mechanisms to the Lead Project Agency for simplification of regulations; (d) reviewing and approving the AWPBs for the Project; (e) interfacing between PMU and the Lead Project Agency on matters of policy formulation, revision and implementation with a view to ensuring effective implementation of the Project; (f) ensuring effective cooperation and coordination between the implementing agencies of the Project in the Project Province and instilling a system of accountability for performance and proper use of resources at all levels; (g) reviewing Project progress reports and ensuring timely corrective action on management and implementation issues; and (h) regarding the governance of the APIF: (i) approving the management, operational strategy and criteria for selection for the APIF (subject to the Fund's no-objection); (ii) guiding and directing the BISC with regards to the utilization of the APIF; (iii) reviewing and approving annual plans and funding targets; and (iv) supervising funds and fund management performance. 	Being complied.	<p>Further improvements needed in better coordination and complementarity between 3PAD and national Programmes 30-A and 147 to avoid duplication and negative competition</p> <p>Procurement procedures for CDF at commune level need further simplification</p> <p>APIF Manual needs revision to make the selection process robust and transparent and institute a mutually responsible trilateral partnership between businesses, government and communities</p>
Schedule 3 Para. 3.3.1	<p><i>Recruitment of PMU Staff.</i> Among other things, the PSC shall establish a council to conduct the recruitment, through a competitive and open process, of the following key staff: financial administrator, procurement administrator, monitoring and evaluation coordinator, agroforestry livelihoods technical specialist, and environment services technical specialist.</p>	Being complied.	
Schedule 3 Para. 4.1	<p><i>Project Management Unit (PMU). Establishment.</i> Before the Effective Date, the Lead Project Agency shall establish a Project Management Unit (PMU). The PMU shall report to the PSC but shall enjoy administrative autonomy in their day-to-day operations.</p>	Complied.	Clear directions need to be issued by PPC to discourage unnecessary interference in PMU working by various inspectorial institutions

Section	Covenant	Compliance Status/Date	Remarks
Schedule 3 Para. 4.2	<i>Composition.</i> The PMU staff shall include a Project Director, financial and procurement officers, each with a monitoring and evaluation coordinator, an agroforestry livelihoods technical specialist, an environment services technical specialist, an office administrator, secretary, clerk and drivers, and any other additional staff as required. The PMU shall fill required positions following an open and competitive recruitment process open to candidates from both the public and private sectors.	Complied.	
Schedule 3 Para. 4.3	<i>Responsibilities.</i> The PMU shall, <i>inter alia</i> , be responsible for the following: <ul style="list-style-type: none"> (a) proposing Project supportive policy mechanisms to the PSC; (b) preparing the consolidated AWPBs described in Section 3.02; (c) ensuring effective coordination of Project activities at all levels; (d) ensuring effective coordination and information sharing with other donor-funded projects/programmes; (e) carrying out procurement in accordance with this Agreement; (f) preparing terms of reference for, advertising and recruitment of staff; (g) preparing financial statements and ensuring sound financial management; (h) selecting and appointing auditors; (i) preparing terms of reference for technical assistance and recruitment and supervision of technical assistance by both firms and individuals; (j) preparing and submitting withdrawal applications from the Special Account, and ensuring adequacy and timely release of funds under the Project; (k) compliance with reporting, monitoring and administration requirements set forth in this Agreement; (l) maintaining the relevant Project Account; (m) preparing and submitting the relevant Project's progress reports in accordance with this Agreement; (n) establishing and implementing a monitoring and evaluation system at Project Commune, Project District and Project Province level and providing the results to the PSC; and (o) establishing and implementing a proper participatory evaluation and impact assessment regime. 	Being complied.	
Schedule 3 Para. 5.1	<i>PD Appointment.</i> The Lead Project Agency shall appoint a Project Director before the Effective Date, subject to the prior approval of the Fund. The experience, background and terms of reference for the Project Director shall be approved by the Fund	Complied.	

Section	Covenant	Compliance Status/Date	Remarks
Schedule 3 Para. 5.2	<i>Tenure</i> The Project Director shall serve throughout the entire Project Implementation Period, and may only be removed by the Lead Project Agency after prior consultation with the Fund.	Being complied.	
Schedule 3 Para. 5.3	<i>Responsibilities.</i> The Project Director shall be dedicated to the Project on a full-time basis. The Project Director shall be the head of the PMU and shall generally be responsible for directing and supervising the work of the implementing agencies, at district and commune level in line with the Project's approach, operating schedule and procedures. The Lead Project Agency shall issue a decision giving the Project Director the necessary and adequate executive authority to ensure the smooth functioning of the PMU and of the Project Parties. The Project Director shall be the secretary of the PSC, and shall be responsible for interaction between the PSC, PMU, district and commune levels.	Complied.	PD has no commensurate position in government hierarchy. He needs to be immediately appointed as Deputy Director DPI to give him the official status recognized in the system to enable him to get proper response from implementing agencies and districts/communes
Schedule 3 Para. 6.1	<i>District Project Director Appointment.</i> The Lead Project Agency shall appoint a District Project Director and District Project Facilitator for each Project District within 3 months from Effectiveness. The terms of reference for the District Project Directors shall be approved by the Fund.	Complied.	
Schedule 3 Para. 6.2	<i>Tenure.</i> The District Project Directors and District Project Facilitators shall serve throughout the entire Project Implementation Period, and may only be removed by the Lead Project Agency after prior consultation with the Fund. The District Project Facilitators shall be dedicated to the Project on a full-time basis.	Being Complied.	Staff turnover at districts remains an issue
Schedule 3 Para. 7	<i>Commune Management Board.</i> At the Project Commune level, Commune Management Boards (CMBs) shall be established. In those communes where P135-II is being implemented, the Project shall be managed by the Commune P135-II Management Boards. Community Development Boards (CDBs) shall make proposals for the CDF to the CMBs, which shall provide a no-objection to the inclusion of CDB proposed investments in the Project Commune AWPB, and advise the CDB in cases where village choices conflict with planned P135-II or government investment plans.	Being complied.	Village development Plans have identified CDF priorities for CDF investments and Community (Village) Development Boards have also been established for implementation of CDF infrastructure and service delivery investments in the 11 communes.
Schedule 3 Para. 8 Keith	<i>Community Development Fund (CDF).</i> Project Communes shall be allocated on average approximately USD 63 000 per annum based on a weighted formula including population size, poverty index and distance from the district centre. Whilst the Commune shall be the owner thereof, the CDF shall be managed through the Commune P135-II Management Board; and CDBs at the village level shall be implementation managers.	Being complied.	CDF Manual does not allow for implementation of simple schemes up to certain monetary value by CDBs themselves. Contracting procedures are cumbersome and do not contribute to empowerment. Upland poorer villages have so far been neglected.

Section	Covenant	Compliance Status/Date	Remarks
Schedule 3 Para 9 Keith	<i>Community Development Boards (CDB)</i> . CDBs shall be established at the village level, chaired by the Village head and include village representatives nominated by the village community through a community meeting and public vote. At least 40% of the CDB members shall be from DOLISA registered poor households. The mandate, role, function, responsibilities and accountabilities of the CDBs shall be defined in an Operational Charter. Villages shall be assisted in establishing community development boards (CDBs), legislated by a provincial directive, to develop village-identified and implemented, but commune owned, investment programmes.	Being complied.	CDBs are established in target villages in target communes. Not all CDBs meet the 40% DoLISA poor households, but the stratification of poor and near-poor and the decision to include near-poor as target households is likely to address this issue.
Schedule 3 Para. 10	<i>Formation of Common Interest Groups (CIGs)</i> . The formation of farmer CIGs, including both men and women, shall be encouraged, as a forerunner to the development of producer associations for specific products. A legal framework for the formation of CIGs shall be developed for Provincial People’s Committee (PPC) approval. Women’s CIGs, formed out of Livelihood and Rights Clubs (LARC)s, shall have opportunities to access labour-saving technologies through CDF investment and technology development programmes.	Being complied.	CIG formation being done mechanically with each CIG having 10 members. CIGs being promoted through provision of VND 5 million grants each. Menu of eligible activities is also limited and need to be expanded. Need to introduce value chain approach and training. A minimum 50:50 ratios of poor and non-poor households in each CIG should be ensured
Schedule 3 Para. 11	<i>APIF</i> . Only businesses registered for not less than two years shall be eligible for financing under the APIF. The APIF shall operate on a reimbursable basis, refunding up to 49% of pre-approved costs expended in accordance with approved APIF investment proposals and paid upon provision of satisfactory physical and financial evidence of the expenditure, in accordance with the terms and conditions of the relevant grant agreement. Grants for investments under this sub-component shall not exceed USD 100 000. APIF grants shall be awarded through a competitive process and investment proposals shall be evaluated, <i>inter alia</i> , against the following criteria: <ul style="list-style-type: none"> (i) commercial viability of the proposal (financial and technical); (ii) number of poor household beneficiaries and the level of benefit; (iii) cost effectiveness of the public investment; (iv) likelihood of flow on benefits to other enterprises and the wider community; (v) environmental impact; (vi) enterprise record of corporate responsibility; and 	Being complied.	Manual makes businesses registered for only one year eligible. The four businesses that have been qualified so far do not offer much comfort in terms of their qualifications, capacity, intent and future plans. Agreement with one has been signed and the currency of agreement is only 13 months which makes long term interest and sustainability of such businesses suspect. The monitoring and enforcement mechanism for compliance with terms of agreements is very weak.

Section	Covenant	Compliance Status/Date	Remarks
	(vii) arrangements for maintenance of publicly funded infrastructure.		
Schedule 3 Para. 11.1	<i>APIF Operational Manual.</i> The APIF awards process shall be guided by an operational manual to be developed by the PMU and submitted to the Fund for approval as soon as possible after the Effective Date. The manual shall include sections on an information and awareness campaign, pre-qualification requirements and procedures, application procedures, technical feasibility and financial justification, selection criteria and procedures, financial management arrangements, procurement and reimbursement procedures and on-the-spot control and monitoring and evaluation.	Complied	The manual and procedures contained therein make it a bilateral arrangement between government and businesses. Poor don't figure in it as partners. Manual and procedures need to be amended to make it a truly tri-lateral partnership between government, businesses and poor target farmers.
Schedule 3 Para. 12	<i>Project Environment and Social Impact Analysis.</i> Land allocation processes shall be guided by the Project ESIA and overseen by the Commune Councils and CFMBs. The ESIA process shall address: (i) social risks related to ensuring equity and maximising benefits to poor households, women and ethnic minorities; (ii) environmental risks related to minimising damage to the natural resource base and preserving biodiversity; and (iii) institutional sustainability risks related to inter-agency cooperation and the future rollout of the land use planning and allocation process across the Project Province.	Not yet complied.	
Schedule 3 Para. 13 Keith	<i>CDF Operational Manual and CDB Operational Charter.</i> The Project shall prepare a CDF Operational Manual acceptable to the Fund, including the CDB Operational Charter, which shall define the mandate, role, function, responsibilities and accountabilities of the CDBs, consistent with applicable regulations and rules.	Complied.	CDF Operational Manual has been approved by PPC in accordance with Decision No. 115/QD-UBND and IFAD on 20/01/2010. Will need to be revised and updated in the light of MTR agreements on targeting and decentralization to CDBs
Schedule 3 Para. 14 Keith	<i>Output-Based Contracts.</i> Demand-driven competition between service providers for contracts based on farmers' needs shall be supported by the Project, between PY2 and PY6. The Lead Project Agency shall issue a Decision establishing a procedure for output-based contracts as specified in the PIM.	Being complied.	Procedure is time consuming and cumbersome. Need for more farmer to farmer learning approaches

Section	Covenant	Compliance Status/Date	Remarks
Schedule 3 Para. 15	<i>Project Implementation Manual Preparation, Approval and Issuance.</i> The PMU shall prepare a draft Project Implementation Manual (PIM) to be submitted to the Fund for its approval. If the Fund does not comment on the draft PIM within 60 days after receipt thereof, the PIM shall be deemed approved. The PMU shall promptly provide copies of the adopted final version of the PIM to the Fund and shall issue the PIM by a Decision of the Lead Project Agency. The PIM shall detail the Project implementation responsibilities in line with the Borrower’s policy and the procedures to be followed for planning, budgeting, financing, loan and grant disbursement, reporting, procurement, preparation of accounts and auditing.	Complied.	PIM implemented in a very restrictive manner, effecting project progress and timely resolution of issues.
Schedule 3 Para. 15.1	<i>Amendments and Conflict.</i> The PMU may propose amendments to the PIM from time to time, which shall become effective upon approval by the Fund. Any modification to the PIM shall be approved by the Fund. In the event of inconsistency or conflict between the terms of this Agreement and the PIM, the former shall prevail.	Being complied.	PIM shall be amended based on MTR recommendations
Additional covenants Para. 1	<i>Gender Focus.</i> Gender equality, gender mainstreaming and specific targeting of women’s participation in Project activities, shall be pursued through the following measures: <ul style="list-style-type: none"> (a) Mainstreaming gender in all Project activities, including working towards increased women’s participation in the Project’s decision making processes; (b) ensuring that no less than 40% of participants in job/skills training are women; (c) promotion of women’s savings and credit groups; (d) terms of reference of Project staff shall include addressing of gender mainstreaming and gender issues as a cross-cutting area of concern across all activities; (e) gender disaggregation of the monitoring indicators, as necessary, to allow Project management to assess Project impact on women and men, allowing them to respond to issues, challenges and opportunities; and (f) provision of a budget to enable Project management to address gender-linked issues and constraints that may arise during implementation. 	Being complied.	A specific gender strategy needs to be developed for upland poor villages with more Hmong and Dzao communities

Section	Covenant	Compliance Status/Date	Remarks
Additional covenants Para.2	<p><i>Indigenous Peoples (IP) Concerns.</i> The Borrower shall ensure that the concerns of the IP are given due consideration in implementing the Project and, to this end, shall ensure that:</p> <ul style="list-style-type: none"> (a) The Project is carried out in accordance with the applicable provisions of the relevant IP national legislation; (b) the IP are adequately and fairly represented in all local planning for Project activities; (c) IP rights are duly respected; (d) IP communities participate in policy dialogue and local governance; (e) the terms of Declarations, Covenants and/or Conventions ratified by the Borrower on the subject are respected; and (f) the Project shall not involve encroachment on traditional territories used or occupied by indigenous communities. 	Being complied.	
Additional covenants Para.3	<p><i>Pest Management Practices.</i> As part of maintaining sound environmental practices as required by Section 7.15 of the General Conditions, the Borrower shall maintain appropriate pest management practices under the Project and, to that end, shall ensure that pesticides procured under the Distribution and Use of Pesticides of the Food and Agriculture Organisation of the United Nations (FAO), as amended from time to time, and pesticides procured under the Project do not include any pesticide formulation which would be classified as Extremely Hazardous (Class Ia) or Highly Hazardous (Class Ib) according to the WHO Recommended Classification of Pesticides by Hazard and Classification 1996-97, as amended from time to time.</p>	Being complied.	
Additional covenants Para.4	<p><i>Monitoring.</i> The PMU shall be responsible for establishing and maintaining a functioning and appropriate monitoring and evaluation (M&E) system. The M&E system shall incorporate the Fund's Framework for Results Impact Monitoring System (RIMS), with the main objective being to assess the impact of Project interventions on the lives of the Target Group.</p>	Being complied.	Needs further refinement and improvement
Additional covenants Para.5	<p><i>Insurance of Project Personnel.</i> The Lead Project Agency shall insure key Project personnel against health and accident risks to the extent consistent with its customary practice in respect of its national civil service.</p>		
Additional covenants Para.6	<p><i>Authorisations.</i> The Borrower shall provide any Project Party with such delegations of authority or other authorisations as may be required under its national procedures to implement the Project in accordance with this Agreement.</p>	Being complied	
Additional covenants Para.7	<p><i>Staffing.</i> The Borrower shall ensure that Project staff at all levels are recruited and retained on the basis of satisfactory employment contracts.</p>	Being complied.	

Section	Covenant	Compliance Status/Date	Remarks
Additional covenants Para.8	<i>Use of Project Vehicles and Other Equipment.</i> The Lead Project Agency shall ensure that: <ul style="list-style-type: none"> (a) All vehicles and other equipment procured under the Project are allocated to the Project Parties for Project implementation; (b) the types of vehicles and other equipment procured under the Project are appropriate to the needs of the Project; and (c) all vehicles and other equipment transferred to or procured under the Project are dedicated solely to Project use. 	Being complied.	
Additional covenants Para.9	<i>Fraud and Corruption.</i> The Borrower shall promptly bring to the attention of the Fund any allegations or concerns of fraud and/or corruption in relation to the implementation of the Project of which it has knowledge or becomes aware...	Being complied.	
Schedule 4 Para. 1	Procurement of goods, works and consulting services financed by the Loan shall be subject to the provisions of the IFAD "Procurement Guidelines" approved by the Executive Board in December 2004 (the "Procurement Guidelines") as such guidelines may be amended from time to time by the Fund. If any provision of the Procurement Guidelines is inconsistent with a provision of this Schedule, then the latter shall govern.	Being complied.	
Schedule 4 Para. 2	<i>Goods, works and consulting services.</i> To the extent possible, the goods, works and consulting services shall be bulked into sizeable bid packages in such a manner as to permit the optimal use of competitive bidding.	Being complied.	
Schedule 4 Para. 3	Before the commencement of procurement and annually thereafter, the Borrower shall furnish to the Fund for approval, a Procurement Plan as described in Appendix 1, paragraph 1 of the IFAD Procurement Guidelines. The Procurement Plan shall specify, among others, the method of procurement for each contract to be financed from, and thresholds, ceilings and preferences to be utilised in the implementation of procurement under, the Project. The Procurement Plan shall also specify any additional requirements as may be set out in the IFAD Procurement Guidelines with respect to certain methods of procurement. The procurement plan shall be updated from time to time in accordance with Section 3.02 (a) of this Agreement to cover succeeding eighteen month periods.	Being complied.	
Schedule 4 Para. 4	Procurement shall be undertaken only during the Project Implementation Period.	Being complied	

Section	Covenant	Compliance Status/Date	Remarks
Schedule 4 Para. 5	No procurement shall be undertaken if it entails a payment to persons or entities, or an import of goods, prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations. The Fund shall inform the Borrower of any such persons, entities or import.	Being complied.	
Schedule 4 Para. 6	The methods which are permitted for the procurement of goods and works are the following: <ul style="list-style-type: none"> (i) International Competitive Bidding (ii) National Competitive Bidding (iii) International or National Shopping (iv) Direct Contracting (v) Procurement from United Nations Agencies (vi) Procurement with Community Participation, which shall be carried out in accordance with procedures acceptable to the Fund and specified in the Procurement Plan. 	Being complied.	
Schedule 4 Para. 7	The methods which are permitted for the procurement of consulting services are the following: <ul style="list-style-type: none"> (i) Quality and Cost-Based Selection (ii) Quality-Based Selection (iii) Selection under a Fixed Budget (iv) Least-Cost Selection (v) Selection Based on Consultants' Qualifications (vi) Single-Source Selection (vii) Selection of Individual Consultants 	Being complied.	
Schedule 4 Para. 8	<i>Preference requirements.</i> In the procurement of goods and works from the proceeds of the Loan, the country of the Borrower may be granted a margin of preference as provided in Paragraphs 55-59 (Domestic Preference) of the Procurement Guidelines. The Procurement Plan and all bidding documents shall clearly indicate the permitted preference to be granted, the manner in which the preference shall be applied in bid comparison and the information required to establish the eligibility of a bidder for such preference. The nationality of the manufacturer or supplier shall not be a condition for such eligibility.	Being complied.	
Schedule 4 Para. 9	<i>Review of procurement decisions.</i> The award of any contract for goods and works referred to in paragraph 6 above, estimated to cost USD 60 000 equivalent or more, shall be subject to prior review by the Fund. The aforementioned threshold may be modified from time to time as notified by the Fund to the Borrower.	Being complied.	

Section	Covenant	Compliance Status/Date	Remarks
Schedule 4 Para. 10	The award of any contract for consulting services referred to in paragraph 7 above, estimated to cost USD 30 000 equivalent or more, shall be subject to prior review by the Fund. The aforementioned threshold may be modified from time to time as notified by the Fund to the Borrower.	Being complied.	
Schedule 4 Para. 11	All bidding documents and contracts for provision of goods, works and services financed by the Loan shall include provisions requiring bidders, suppliers, contractors, sub-contractors and consultants to: <ul style="list-style-type: none"> a) allow full inspection by the Fund of all bid documentation and related records; b) maintain all documents and records related to the bid or contract for three years after completion of the bid or contract; and c) co-operate with agents of representatives of the Fund carrying out an audit or investigation. 	Being complied.	To be required.

Appendix 5: Physical progress measured against AWP&B and appraisal targets, including RIMS indicators

Period: 30-07-2010 to 31-12-2012				
Impact and Outcomes	Indicators (with global target if available)	Achievements (as per M&E data)	RIMS Rating	
			(by Project)	(by MTR mission)
Impact level				
Goal: To achieve sustainable and equitable poverty reduction and improved livelihoods of the rural poor in Bac Kan through land and forest land management.	1. Increase the number of households with improvement in household assets ownership index	1. The percentage of HH with improvement of assets ownership index increased 35%.	Achieved	Achieved
	2. Reduce child malnutrition (by gender, weight for age, height for age, and weight for height)	2. Child malnutrition reduced 1.7% (from 6.7% of baseline to 5% of midterm)	Achieved	Achieved
	3. Number of rural poor households improved food security and poverty reduction	3. N/A but the food security has improved and the poverty has reduced by average of 11% (by new criteria)	Achieved	Achieved
	4. Reduce the number of poor people with income under 200.000 VND/month	4. The new criteria of poor HH is 400.000 VND/person/month. Poor HH reduced 11% by midterm on the basis of new criteria	Achieved	Achieved
	5. Number of households with income from sustainable livelihoods activities	5. N/A, the data is missing (but the on-going survey will show the result by the end of June 2012)		
	Improvement in these indicators is mainly exerted from sustainable forest land management			

Objective : To establish a framework for sustainable and profitable agro-forestry development in Bac Kan province targeting rural poor households	1. Income from agro-forestry production. 2. Productivity of agro-forestry activities 3. Area of sustainable forest land management 4. Beneficiaries' viewpoint on the relevance of services providers and agro-forestry management	<ul style="list-style-type: none"> . No baseline and current impact data available on agro-forestry incomes . Initial impacts of agro-forestry models very encouraging. No data on actual productivity improvement available yet . Sustainable Forest land management activities are slow . Contracting procedure for service providers need to be simplified 					
Outcome level							
Component 1 Sustainable and equitable forest land management	- Number of poor and near poor households, ethnic minorities received forest land use certificate	1,286 households, of which 512 were poor and the rest were near poor and ethnic minorities	Achieved	Partial. Landless not being targeted			
Component 2 Generating income opportunities for the poor	- Number of poor households accessed to income opportunities	8,994 households, of which 3353 were poor and 1,820 were near poor.	Achieved	Partial. Land less need to be targeted			
Component 3 Innovative Environmental Opportunities	- Number of households accessed to	553 households conducted forage planting for sloping land.	Achieved	Achieved but needs further efforts in replication of successful models			
Output level							
Output by component	Indicators	(Physical) Targets					
		AWP&B (planned)	Actual (achieved)	%	Appraisal (Global)	Cumulative (so far)	%
Component 1 Sustainable and equitable forest land management							
Sub-component 1.1 Forest land use planning and allocation							
Output 1.1.1. Land use planning and allocation options	- Area of forest land classified	43,200 ha	63,280 ha	146%	72,000 ha	63.280 ha	88%
Output 1.1.2. Forest land allocation	- Area of forest land issued with Forest land use rights certificates.	5,500 ha	5,892 ha	107%	12,000 ha	5,892 ha	49%
Sub-component 1.2 Forest land management							0 %

Output 1.2.1 Participatory forest land planning	- Area of forest land planned	43,200 ha	43.200 ha	100 %	43.200ha	43.200 ha	
Component 2 Generating income opportunities for the poor							
Sub-component 2.1 Community driven service and technology development							
Output 2.1.1: Community driven service and technology development	- Number of models developed.	6	6	100%		6	
Output 2.1.2 TOT and training of commune extension workers in PAR methodologies	- Number of trainers trained.	155	150	97%		96	
Output 2.1.3.: Women's Livelihoods and Rights Clubs (LARCs) established with WU support.	- Number of LARCs established	44	44	100%	150	150	100%
Output 2.1.4: Effective services providers associations	- Number of services providers associations established	6	6	100%		6	
Sub-component 2.2 Investment for growth							
Output 2.1.1 Training in CDF	- Number of staff trained in CDF.	195	195	100%		470	
Output 2.2.2 Participatory planning and Community Development Fund in 3 project districts	- Number of communes involved	48	48	100%	48	48	100%
Output 2.2.3. CDF							
Infrastructure investment	- Number of infrastructure constructed	96	94	98%		94	
Agro-forestry development fund	- Number of households acquired loan	9.597	2.104	22%		2.104	
Services providers	- Number of services contracts implemented	169	98	58%		113	
Output 2.2.4. APIF	- Number of project funded by APIF	20	4	20%		4	
Component 3 Innovative Environmental Opportunities							
Sub-component 3.1 Innovative Environmental Opportunities							
Output 3.1.1. Document of forage for sloping land protection	- Number of document developed and disseminated at school in project areas	01	01	100%	01	01	100%
Output 3.1.2. Establishment of forage CIG	- Number of CIGs established	44	44	100%		44	

Sub-component 3.2 Payment for Environmental Services							
Output 3.2.1 Pilot PES in Bac Kan	- Number of communes applied PES		02				
Sub-component 3.3 Eco-tourism							
Output 3.3.1 Capacity building in Eco-tourism	- Number of courses conducted	8	2		25%	2	
Component 4 Project management							
Output 4.1 Capacity building for project staff	- Number of courses conducted	03	01		33%		

Appendix 6: RIMS Tables

First-level results

Output level										
		Results	Unit	Period ending 2011			Cumulative			Sum of actual of previous year
				AWP&B	Actual	% of AWPB	Appraisal	Actual	% of appraisal	
Total outreach										
Component	Sub-component									
Component 1: Sustainable and equitable forest land management	Sub-component 1.1: Forest land use planning and allocation									
		Agro-Forestry sector gap-analysis	Lump sum				1	1	100%	1
		Training in Agro-forestry best practices for provincial staff	Lumpsum				1	1	100%	1
		TOT in Forest Land Use planning	Lumpsum				1	1	100%	1
		Forest Land Allocation Manual	Lumpsum				1	1	100%	1
		General Commune Training	Course	92						
		Part. Forest Land Allocation Training for Communes	Course	46						
		Area of forest land classified	ha	56,700	63,280 ha	146%	72,000 ha	63,280 ha	88%	63,280 ha
		Community Based PFLAU Trg for district and commune	p/days	800						

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		Area of forest land allocated to beneficiaries	ha	5,500	5,892 ha	107%	12,000 ha	5,892 ha	49%	5,892 ha
	Sub-component 1.2: Forest land management									
		TOT Forestry and Livelihoods	Each				2			
		Community Training in biodiversity and management	Course				46			
		Area of forest land allocation and issued with land use certificates	ha	72,000	43,200	60%	72,000 ha	43,200	60%	43,200
Component 2: Generating income opportunities for the poor	Sub-component 2.1: Community driven service and technology development	Number of models established	Models	6	6	100%	NA	14		14
		Number of staff trained in PAR methodologies	Persons		155	100%	NA	155		155
		Number of LARC established	Club		44	100%	155	155	100%	155
		Number of services providers association established	Association		6	100%	NA	6		6
	Sub-component 2.2: Investment for growth	Number of staff trained in CDF	People		195	100%	NA	470		470
		Number of communes involved in CDF planning	Commune		48	100%	48	48	100%	48

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		Number of infrastructure work	Work		23	100%	NA	96		96
		Number of households acquired loan	Household		2104	31.45%	NA	2104		2104
		Number of services contracted implemented	Contract		98	58%	NA	113		113
		Number of projects funded by APIF	Project		4	25%	NA	4		0
Component 3: Innovative Environmental Opportunities	<i>Sub-component 3.1: Innovative environmental opportunities</i>	Number of CIG established	Group		44	98%	NA	44		44
	<i>Sub-component 3.2: Payment for Environmental Services</i>	Number of communes applied PES	Commune		2	100%	NA	2		2
	<i>Sub-component 3.3: Eco-tourism</i>	Number of training courses on eco-tourism	Course		0	0	NA	0		0
Component 4: Project management		Capacity building for project staff	Course		3	1	NA	4		4

Second-Level Results

Outcome level			
Component	Sub-component	Result	Rating
Component 1: Sustainable and equitable forest land management	Sub-component 1.1: Forest land use planning and allocation	1,286 households, of which 512 were poor and the rest were near poor and ethnic minorities	Significant impact on forest land management. Households with LUC are now assured to develop forestry activities in the long-term, thus improving households' livelihood. Landless poor need to be targeted through a provincial policy
	Sub-component 1.2: Forest land management	On-going	Slow and needs to be expedited.
Component 2: Generating income opportunities for the poor	Sub-component 2.1: Community driven service and technology development	6 models with participation of 80 households, of which 25 were poor	Targeting of poor households need to be improved. The menu of eligible activities needs to be expanded.
		155 project staff and extension workers at all levels were trained on PAR methodologies	These groups will assist CIGs in service contract management. Need for more farmer to farmer contracts and preference to farmers who speak ethnic minority languages
		150 LARC established, in which 5.721 members (2.734 poor households, 1.342 near poor, 1.645 average households)	Enhance the role and voice of women in community (women are involved in building LARC meeting houses). Capacity building in management for WU at commune level LARCs need to be converted into SCGs with expanded menu of eligible activities
		6 associations established with 122 members (mainly specialist and excellent farmers)	Excellent farmers provide experience and knowledge sharing on agro-forestry development.
	Sub-component 2.2: Investment for growth	195 staff trained on CDF	Support CDF implementation effectively
		35 communes under review and 13 communes under PRA review	Most of the communes initially identified their need in accordance with CDF investment criteria. Focus need to shift to poorest upland villages in communes with modified scheme criteria to enable self-implementation
		CDF reached about 9000 households, of which 3400 were poor, and 1820 were near poor	Beneficiaries improved productivity and diversified their livelihood activities, achieving the project objectives. Poverty focus need to be improved through inclusion of poorest villages
Component 3: Innovative Environmental Opportunities	Sub-component 3.1: Innovative environmental opportunities	44 forage CIG established with 553 household members	Support for replicating on a larger area, enabling food supply for cattle and sloping land protection. Need for improved coordination with agro-forestry activities under other components
		Establishment of forage nurseries in 40 schools to introduce forage learning and use them as sale points for forage seeds	Become a very successful and popular initiative

	Sub-component 3.2: Payment for Environmental Services	02 communes pilot PES	Support for replicating in other communes. Need to learn from Sapa. A coordination mechanism needs to be established between Ba Be Park Management Board, project and beneficiary communities
	Sub-component 3.3: Eco-tourism	Initial work in one commune	Improvement of traditional houses for stay of tourists Training in performing cultural events for tourists for a troupe Improvement of sanitation and hygiene around lake area
	Sub-component 3.4 Bio-Energy Promotion	Not yet	Need to initiate a pilot on biogas through engagement of a consultant
Component 4: Project management		01 training course on project management	Capacity building for project staff Need for appointment of one full time Community Facilitator

Third-level results

Impact level					
Indicators	Unit	Benchmark	Mid-term	Completion	Target
Poor households	%	40%	32%		N/A
Child malnutrition	%	6.7	5		N/A
Chronic malnutrition	%	39.8	38		N/A
Under weight	%	20.1	19		N/A
Household with 1 period of hunger	%	25	21		N/A
Household with 2 periods of hunger	%	3	2		N/A
Female headed households	%	11	12		N/A
Percentage of literate men	%	91	93		N/A
Percentage of literate women	%	85	87		N/A
Percentage of HHs having access to clean water	%	37	50		N/A
Percentage of HHs having access to safe lavatories	%	33	40		N/A
Percentage of HHs with agro-forestry activities	%	89	90		N/A

Appendix 7: Learning and innovation

Innovations: What innovation has worked particularly well in this project during this period? What have been the reasons for this?

Participatory forest land allocation and community-based ecology and forest protection planning

Forest land use participatory planning has been completed for 78,531 ha, against the project total target of 150,000 ha. Land use certificates have been issued for 5,524 ha against the target of 12,000 ha (46%) for 1,975 households of which 788 are poor and 394 Ethnic minorities. Plans for forestland biodiversity development and forest-based livelihood development have been completed for 43,200 ha out of the project total target of 72,000 ha. 18 household plant nurseries have also been established.

The participatory land allocation and planning approach is an innovation that could mobilize all stakeholders in discussions on their land plot sizes and promote community decision making in land utilization. This methodology has been agreed by the Department of Natural Resources Management for replication in all areas in Bac Kan. However its guidelines need to be further improved in terms of allocation of land to landless before province-wide application as recommended by the mission report.

Decentralization of Community Development Fund to Commune Level

CDF is owned by the Commune People's Committees which have been assisted by the project in capacity building for participatory socio-economic development planning and management of infrastructure works. The CDF has been used for 168 infrastructure schemes (mainly roads, irrigation, and drinking water) in which 54 schemes have been completed, 19 under construction, 39 in procurement process and the rest are in survey & design stage. Total beneficiary households of these schemes are 6,405 and 64% of them are poor or near-poor. Through learning cum doing the management of infrastructure schemes the project commune's CPCs have now gained sufficient capacities to be further decentralized by other programmes and projects.

Women's Livelihood and Right Clubs (LARC)

The project has established so far 155 LARCs in 155 project villages in which 67 are upland villages. The total number of LARC's members is 5,913 in which 2,784 are poor, 1,342 are near poor. The project has built 150 meeting houses for all the LARCs through mobilization of member's contribution VND 6,712 million or 43.9% of the total cost of houses. The LARC houses are the gathering points for women at least once per month to learn new laws, regulations and policies on forest and environment protection, women's advancement and fighting against discrimination and violation to women. They also learn and discuss agriculture production techniques and experience. LARC have been very useful in mobilization of women to participate in all project activities and improve positions of women in their communities. The mandate of LARCs needs to be expanded to make them SCGs with expanded economic role.

Forage-based sloping cultivation for land protection through CIGs and introduction of new forage varieties through primary and secondary schools

The project has introduced advanced models of inter-crops sloping land conservation and 10 new forage species. It has also provided technical support to 45 forage development CIGs with 595 farmer households involved. Environmental education combined with provision of the new forage species through the school pupils is very successful. The project has provided environment protection training to teachers and forage seeds to 40 schools in the project areas. This activity is progressing well thanks to the close cooperation with the Department of Education and Training.

Learning: What has not worked so well? What have been the reasons?

Contract-based agriculture extension modality

The contract-based agriculture extension is a project effort aimed at enabling the non-state sectors such as the private companies and better-off farmers to provide the extension services to the project target groups. However, since the modality objective has not been well introduced to the district and commune levels as well as the availability of better-off farmers and private sectors are scarce in the target remote communes, the sub-contractors are most the government extension staffs. Moreover, the project guidelines on preparation of the lump-sum contract composed of daily allowance of VND 60,000 for training participants make the contracts expensive on one hand and further promotes culture of subsidies on the other hand.

All funds under the portion of 21% of CIF are used for the contracts assisting only the CIGs and not individual poor households. Since the CIGs are most set up in low land villages with low

percentage of poor households, the contracts do not target the more vulnerable poorer groups in upland villages.

APIF

APIF guidelines were prepared through technical assistance provided by the SNV using the concept of “inclusive business” but without elaboration of a suitable methodology which fits to the overall design of the 3 PAD and the IFAD policy for development of Pro-poor Public Private Partnership (5P). A rather vague and controversial concept of inclusive business is being promoted (companies become main and direct beneficiaries rather than the poor in undefined and unanalyzed value chains). APIF has been narrowed down to provision of free grants to businesses rather than developing a mutually responsible triangular partnership among the farmers/producers, the businesses and the government, in which the farmers in particular the poor have negotiation power, gain benefits from the partnership and ensure transparency of the use of grants.

Participation of business sector in planning remains limited: The agribusiness private sector in Bac Kan is very underdeveloped and it has proven difficult to engage it in planning processes. As a result, local plans do not always reflect the needs from the market side. It is always difficult to obtain participation of big enterprises in the local planning process. In the planning process, farmers discuss about their production plans, needs for investment and hence there is a need for them to hear about the market requirements. Vice versa, the private sector should be interested to know from the producers: the type of products, what quality, production capacity, seasonal calendar.

Development of value chains: The Project has identified some key value chains and established some value chain working groups, but has not so far made significant interventions to support improved value chain integration or efficiency. This needs to be done quickly in the remaining project period, by identifying some key interventions in important value chains and developing partnerships with value chain actors to implement those interventions. The VC intervention plans need to reflect the roles of different actors (input providers, producers, processors, traders etc.). The Project should focus on the analytical process using the value chain approach and promote engagement of the key value chain actors in implementing the project. APIF utilization should focus on supporting development of key value chains identified by the project districts.

Development of Common Interest Groups: Establishment of CIGs is mechanical (all have 10 members) and vision and range of activities very limited. Majority of members in all CIGs are better off households. Provision of one time grants of VND 5 million, often shared equally between the members, is primarily being used for agro-forestry activities. Payment of daily allowance to beneficiaries, irrespective of nature and duration, for attending the training is also against the participatory development spirit and local ownership. CIGs under the project appear to be primarily ad hoc groups that have been formed to receive inputs and services, rather than real voluntary farmer’s groups established for collective agribusiness plans. More over the CIGs need to become more effective planning organizations to be able to analyze and prioritize problems and opportunities for pro-poor agro-forestry development. Causes to this underdevelopment of the CIGs include a lack of an institution available at the grassroots level to promulgate the possible benefits of joining collective agribusiness activities and facilitate voluntary establishment of CIGs. The Farmers’ Union would be a very suitable for CIG capacity development, and the project should build the capacities of the FU to be able to effectively facilitate development of the CIGs.

Access to finance for development of agribusiness: The CIGs need to access to finance for their development. However, under the current project design there is no finance service or grant resources provided to assist the CIGs.

Appendix 8: Audit log

Summary Table						
FY	Audit observations as per Audit Report		Audit observations Settled		Audit observations Outstanding	
	Numbers	Value	Numbers	Value	Numbers	Value
		(USD)		(USD)		(USD)
2010	1. Some consultancy contracts are being implemented slower than planed and contractual arrangement					
	2. Recording fund and expenditures of the project					
	3. The ratio of advance balance					
	4. Advances					
Total						

Detail Audit Log Table

SI NO	Financial Year	Class:Serious/General	Audit Ref.	Audit Observations	Total Amount per observations	Action taken by the project	Present status (Auditors validation result)	Total amount not settled outstanding
	2010	General		1. The contract with Mr. Le Anh Vu for consulting to plan and the contract with Mr. Phan Van Tuong for training capacity of interest groups				
	2011	General		2. The project recognizes funds that are provided to the project according to the actual amount received to the operation account and therefore, the financial statements for the year 2010 have not reflected the Loan and grant come in to Special Account		Fully completed Fully collected		
		General		3. The ratio of advance balance reaches to 77.88% and the project has not received fully reconciliation results				
		General		4. The advance refund in cash is 29% of total amount refunded the year				
		General						

Appendix 9: Supervision mission schedule and persons met

7 May 2012	AM	Mission arrives in Bac Kan
	PM	Meeting with PIU and Implementing agencies – Review of Project Progress
8 May		Meetings with DARD, WU, Farmer Union, DONRE and DOLISA
9 May		Field visit to Na Ri District
	AM	Meeting with DPIU and progress review
	PM	Mission splits and visits 4 Target communes and villages
10 May		Field visit to Ba Be District
	AM	Visit two Target Communes
	PM	Meeting with DPIU and progress review
11 May	AM	Visit two target commune
	PM	Visit one target commune
		Field visit to Pac Nam District
12 May	AM	Meeting with DPIU and progress review
	AM	Field visit to one commune (other dropped due to rain induced road conditions)
	PM	Return to Bac Kan and meeting with PD and Accountant on Fiduciary Aspects
13 May	AM	Mission internal meeting to prepare consolidated list of issues, assessments and recommendations
	PM	Meeting with PMIU to discuss initial mission findings
14 May	PM	Follow up meetings with Implementing agencies by Team Members
	AM	Meeting with PMIU and IAs/districts to present mission findings and reach agreement on key issues and recommendations/agreed actions
15 May		Aide Memoir and Report Writing
16 May		Aide Memoir circulation and Report Writing
17 May	AM	Wrap up meeting
	PM	Travel to Hanoi

LIST OF PERSONS MET

07 May 2012

Meeting with Steering Committee and IAs to Review Progress

NO.	NAME	POSITION
1	Duong Van Huan	Chairman – PPC/ Head Project Steering Committee
2	Hoang Van Giap	Project Director, 3PAD
3	Bui Nguyen Quynh	Deputy Director 3PAD
4	Ms. Tran Thi Loc	Chairperson, Provincial Women’s Union
5	Ma Xuan Theim	Director, DONRE
6	Ha Van Tien	Director, DARD
7	Ha Thi Phan	Deputy Head, Farmers Association
8	Trieu Thi Thuy	Head of Department/ Chief Accountant 3PAD
9		District Heads of 3 District DIUs
10		PIU Staff and experts

08 May: List of the IA Members working with Supervision mission

NO.	Name	Position
	DARD	
1	Ha Van Tien	Director
2	Le Cam Long	
3	Nguyen Dinh Diep	
4	Nong Thi Nguyet	
5	Nguyen Thi Nghia	
6	Nong Thi Hao	
7	Nong Van Quy	
8	Vu Duc Tuan	
	DONRE	
1	Ma Xuan Thiem	Director
2	Luu Quoc Trung	
3	Doan Tien Nguyen	
4	Tran Ngoc Quyet	
	Women Union	
1	Tran Thi Loc	Chairperson Provincial Women Union
2	Ha Thi Lieu	Vice Chairperson
3	Nguyen Thi Tam	
4	Trieu Thi Thuy	
5	Trieu Thi Ly	
6	Ngo Thi Quy	
	Farmer Union	
1	Ha Thi Phan	Vice Chairperson
2	Do Dinh Thuy	
3	Ha Thi Thoa	
4	Nong Thi Thu	
	Meetings on Fiduciary Aspects at Provincial Level	
	Nong Thi Nguyet	Chief Accountant DARD
	Nguyen Thi My	Chief Accountant DOST
	Hoang Thu Trang	Director, DPI
	Nguyen Quang Huy	Deputy Director Provincial Treasury

09-11 May: List of the members working with Supervision mission during Visit to Districts and Communes (Mission divided in two groups)

Provincial Staff		
NO.	Name	Position
1	Hoang Van Giap	Project Director
2	Le Van Truong	Accountant (Construction)
3	Ly Thi Thu	Official Component 2
4	Hoang Thuy Linh	Procurement Officer
5	Trieu Thi Thuy	Head Administration 3 PAD
6	Bui Nguyen Quynh	Deputy Director
7	Trieu Duc Thong	
	Na Ri District	
1	Pham Ngoc Thinh	
2	Hoang Van Giang	
3	Hoang Thi Minh Hue	
	Hao Nghia Commune	
1.	Pham Huy Thanh	CPC Chairman
2	Ha Thi Dao	
3	Ha Duc Tai	
4	Ma Van Tue	3PAD Accountant
5	Nong Thi Hanh	PMB Members
	Quang Phong Commune	
1	Ha Xuan Truong	CPC Chairman
2	Lang Thi Son	
3	Nong Dinh Tuan	
4	Dinh Van Diem	Commune Board Member
5	Loc Thi Linh	3PAD Accountant
	Ba Be District	
1	Nguyen Van Dong	Project Coordinator
2	Nguyen Thuy Dung	
3	Tran Thi Tuyen	Management Board Member
4	Vu Dinh Ca	Management Board Member
5	Bui Van Truong	
	Phuc Loc Commune	
1	Hoang Van Giang	CPC Chairman
2	Nong Thi Ty	Commune Board Chairman
3	Nong Truong Bien	Commune Extension Worker
4	Trinh Thi Tham	Commune Board Member
5	Ma Thi Hien	Commune Accountant
6	Hoang Van Phin	Poor farmer/Forest Allocation beneficiary
	Quang Khe Commune	
1	Pham Huu Tang	CPC Chairman
2	Hoang Thi Hiep	Agriculture Extension Worker
3	Luc Tran Hiep	3PAD Accountant
4	Ly Thi Thai	CIG Member Na Hai Village
5	Ly Thi Duong	CIG Member Na Hai Village
	Yen Duong Commune	
	Trieu Van Nong	Visited by Ms. Irene and Ms. Hoai CPC Chairman
	Ms. Vi Thu Hue	3PAD Accountant
	Hoang Van Duan	Cashier

	Nam Mau Commune	
1	Nong Van Hoanh	CPC Chairman
2	Truong Thi Tu	Commune Board Chairman
3	Vi Thi Dung	
4	Gia Thi Hiem	3PAD Accountant
5	Ma Thi Ngan	Incharge 21% CDB
	Banh Trach Commune	Visited by Ms. Irene and Ms. Hoai
1	Ma van My	CPC Chairman
2	Nguyen Thi Phuong	3PAD Accountant
3	Dong Thi Thiem	Cashier
	Dong Phuc Commune	
1	Ha Van Thuong	CPC Chairman
2	Hoang Thi Hong	3PAD Accountant
3	Hoang Van Hon	Cashier
	Pac Nam District	
1	Vi Thi Thuy	Vice Chairperson District PPC
2	Chu Van Truong	
3	Nguyen Huu Nguyen	
4	Bui Van Vu	
5	Tran Thi Hang	
	Nghien Loan Commune	
1	Luc Tien Trung	CPC Chairman
2	Loc Thi Yen	
3	Ban Van Chuong	
4	Dang Van Nhat	
5	Ma Thi Trung	3PAD Accountant
6	Ngo Thi An	21% CDB Incharge

12-17 May 2012

List of The Members Working With IFAD Mission at Provincial Level, other than PIU and Implementing Agencies and Steering Committee Staff		
No.	Name	Position
1	Alan Robertson	International Forage Expert
2	Mr. Javier Ayala	Programme Leader SNV, Vietnam

Appendix 10: Summary of implementation support provided by IFAD

(between the last supervision mission in Aug 2011 and current Mid-Term Review)

Financial management: In 2011 and early 2012, the IFAD Country office continued to provide assistance to 3PAD Bac Kan on financial management. In September 2011, the well-known international consultant of the Asian region Mr. Sudhir and Ms. Hoai, IFAD financial management assistant carried out a mission to Bac Kan for training on financial management and conduct of internal audit to the project.

- FM Capacity Building - IFAD organised training and capacity building workshops for project Chief Accountants and Accountants on core IFAD FM principles, as well as responses specific queries of projects in December 2011 and May 2012. The important point was to use a new system in which the IFAD CO is in charge of direct arrangement for fund withdrawal applications.
- Special Account Reconciliations have been checked on a monthly basis – Project Accountant has been requested to send monthly SA reconciliation statements to IFAD Hanoi for review and comment.
- Verification of WAs - WAs to be checked before submission - Project Accountants send WAs to IFAD Hanoi for review and comment. Special care will be taken to avoid claims of advances to communes as eligible expenditure.
- Audit ToRs to be put online - IFAD Hanoi has put the standard audit TORs on line for reference.

Knowledge management: Training courses on articles writing and production of video and films on project activities were organized by the IFAD grant country programme management support project (VIE/997) to which the Knowledge Management Officer (KMO) and M&E officers from the project were invited to participate. The IFAD country office is in constant contact with the 3PAD knowledge management officer to introduce KM products from the project to nation-wide media agencies. The IFAD Vietnam website has been maintained and is checked each week by the country presence to ensure that the content is up to date.

Policy advocacy: The project in cooperation with the province Farmer's Union has organized a policy dialogue with farmers and policy makers on issues related to forest land management regulations and enforcement. This was supported by an IFAD grant to the Farmers' Union.

Value chain training: With the technical assistance provided through an IFAD grant project to UNIDO, in April 2012, a training on value chain was carried in Hanoi for all project directors and deputy project directors and heads of market/value chain development components. The training was very interactive and helped project staff to understand how to translate value chain analysis into practice.

Monitoring and evaluation: Through a contract with IFAD CO, DEPOCEN an IFAD partner in M&E provided trainings and support missions to Bac Kan to improve the capacity of the M&E officers to continuously improve the project M&E system. Special emphasis was put on results and outcome surveys, questionnaire development and data entry for application of RIMS.

Country programme review: A country programme review together with KM Fair with all regional and country grant projects was organized by IFAD CO in March 2012 with participation by Ms. Laura, IFAD grant coordinator at the APR. The KM Fair was sharing experience and developing cooperation between loan projects including the 3 PAD and the grant projects in:

- Pro-poor value chain development and engaging the Private Sector
- Market Oriented Participatory SEDP
- Development of collaborative groups and farmers organizations
- Evidence-based policy development