

AGRICULTURAL PROJECTS  
MANAGEMENT BOARD  
**LOW CARBON AGRICULTURAL  
SUPPORT PROJECT**

**SOCIALIST REPUBLIC OF VIETNAM**  
**Independence - Freedom - Happiness**

*Hanoi, 18<sup>th</sup> August 2016*

No: /DANN-LCASP

Re: Report on project implementation  
progress to the Mid-term Mission

**To:** - **Ministry of Agriculture and Rural Development**  
- **Asian Development Bank**

**I – Project description:**

Low Carbon Agricultural Support Project, Loan No.2968-VIE (SF) was signed on 07 March 2013 and came into effect on 05 June 2013. The Loan closing date shall be 30 June 2019 (The project is implemented over a period of six years).

**1. Total investment:**

- ODA fund: 48.170 million SDR, equivalent to 67.506 million USD (as of 31 July 2016)
- Counterpart fund: 10 million USD (GoV: 3.7 million USD, FIs: 6.3 million USD)

**2. Project objectives:**

*- Overall objectives:*

Developing a sustainable agricultural production, efficient and friendly to the environment through promoting development/ replication of research models and transferring technology on agricultural production towards reducing greenhouse gas emission and response/mitigation to the impacts of climate change, utilizing effectively the natural resources, agricultural waste products, managing effectively agricultural processing and post-harvest preservation.

Reducing environmental pollution caused by agricultural waste through the expansion and development of the biogas program from household scale to medium and large size to create clean energy; improving livelihood and increasing life quality of rural citizens.

*- Specific objectives*

Livestock waste, rural waste management in biogas production are improved; reducing environmental pollution; contributing to sustainable development of household and farm scale livestock production; creating clean

energy; improving livelihood and improving life quality of rural citizens; creating incomes from CDM project;

Applying low carbon agricultural production technology in the field of aquaculture and crop production that are effectively certified in the world, then trial application to Vietnam conditions and selectively replicate models of crops, livestock, and aquaculture in order to increase economic efficiency and response/ mitigate impact of climate change and reduce greenhouse gas emissions.

### **3. Project location:**

Ten (10) provinces in Viet Nam: Lao Cai, Son La, Phu Tho, Bac Giang, Nam Dinh, Ha Tinh, Binh Dinh, Tien Giang, Ben Tre, Soc Trang.

## **II. IMPLEMENTATION PROGRESS UPON COMPONENT**

### **1. COMPONENT 1. EXPANDED USE OF LIVESTOCK WASTE MANAGEMENT INFRASTRUCTURE**

#### ***1.1. Sub-component 1.1: Management of livestock waste and carbon markets***

*1.1.1. Activity 1: Develop training modules for CSAWMP and providing training to supervisors, operators and other stakeholders for application and mainstreaming in the project provinces.*

#### **a. Main content:**

The Project will assist finance for developing training modules and programs for farmers in livestock waste management, utilization of livestock waste for producing organic fertilizer and bio-energy to reduce environmental pollution and create income for farmers.

#### **b. Implemented activities:**

The Project has developed 02 training document about Guidance on operating small biogas plants and Guidance on construction/installation of small biogas plants. CPMU is in process of conducting 05 training modules, programs on livestock waste management and repair, installation and maintenance of biogas equipment.

PPMUs have organized 83 training courses on livestock waste management with a total of 2.691 turns of agricultural extensionist and farmer, of which 937 people are female (accounting for 35%).

The situation of overload in biogas plants happens commonly in households (due to the fact that the capacity of biogas plant is fixed while

livestock scale of farmers is changing regularly), causing environmental pollution, reduce efficiency of the biogas plants. In fact, besides the technology of biogas for livestock waste treatment, it is significant to find other technologies of handling redundant manure to avoid overloading digester. Stemming from that requirement, besides biogas technology, the Project has trained farmers, agricultural extensionists the technology of composting, raising earthworm and other technologies of handling redundant manure, creating efficiency of improving the environment and creating more income for farmers.

*1.1.2. Activity 2: Standardize and disseminate the package of design for Biogas Value Chain (BVC)*

a. Main content:

The Project will assist finance for training and information and communication about requirements on biogas technology and the environment after biogas of the Project. In addition, the Project also finances for the activities related to develop guidance, standards of small, medium and large biogas plants.

b. Implemented activities:

The Project has completed the guidance on technical and environmental requirements of small biogas plants, the guidance on technology of medium and large HDPE and fixed-dome brick biogas plants in order to widely disseminate for farmers in the 10 project provinces.

CPMU has implemented these activities: (i) Dissemination on livestock waste management, agricultural by-products treatment on the mass media; (ii) Collaborate with Department of Livestock Production to develop and establish the guidance on construction of medium and large HDPE and fixed-dome brick biogas plants; (iii) Produce and establish 03 documentaries on: Economic efficiency of investment in biogas plant construction/installation; Use, operation and maintenance of biogas plants; Introduction about carbon credit in biogas and forwards to selling carbon credit; (iv) Compile, develop and establish dissemination document on CSAWMP such as handbooks, books, leaflets, posters, etc.; (v) Enhance efficiency of promoting information and communication on the website of the Project (<http://www.lcasp.org.vn/>).

PPMUs continue implementing communication programs to propagate and disseminate information and requirements of the Project to people via different forms, as follows: (i) Print leaflets, posters propagating about the

Project, technologies, management and operation of biogas plants, (ii) Print billboards, posters introducing the Project, (iii) Dissemination on local radio and television.

Accumulated from the beginning of the Project, PPMUs have organized 1,311 training courses on guidance of operation, maintenance of biogas plants for 36,911 farmer households who had registration application for construction/installation of biogas plants, 283 workshops on disseminating technical and environmental requirements and benefits of biogas plants for 12,355 households.

For the development of small biogas plants: The activities of technical training, information and communication for farmers on appropriate operation, maintenance of biogas plants have brought actual efficiency in reducing environmental pollution. The situation of loading exceeded capacity of livestock waste into biogas plants and exhausting gas directly into the environment has reduced severely thanks to the improved awareness of farmers. Until now, the project provinces have not happened any unsafe cases in using and maintaining biogas plants.

For the development of medium and large biogas plants: According to the survey and assessment of the Project, the development of medium and large biogas plants in Vietnam still remains shortcomings in the environment that need to be researched and resolved in order to ensure effective livestock waste management. The research activities and demonstrations in Component 3 under the Project will help resolving these shortcomings.

*1.1.3. Activity 3: Register program of activities for small, medium and large scale biogas plants for relevant carbon markets*

a. Main content:

The Project will assist finance for searching for carbon markets to sell carbon credit in biogas.

b. Implemented activities:

The Project is collaborating with the National Biogas Programme (BP) under the Department of Livestock Production to prepare the plan of proposing PoA and CPA to register in the appropriate carbon markets. The Project has proposed to provide funding for strengthening capacity of BP to become the

focal management agency of the entire carbon credit biogas of the projects under MARD.

As the CDM market reduces price, selling carbon credit no longer brings attractive profit as before, moreover, the registration of volunteer market is still complicated, and the mechanism of using revenue from selling carbon credit is not clear. Currently, NBP under DLP has sold carbon credit for VGS volunteer market. The Project will support as requirements of NBP to continue registering for selling carbon credit in other potential markets.

*1.1.4. Activity 4: Strengthen relevant agencies to handover the monitoring of the constructed biogas plants.*

a. Main content:

The Project will support for enhancing capacity of livestock environmental monitoring equipment for relevant agencies at central and provincial level to ensure the requirements of monitoring quality of biogas plants and the environment after treatment with biogas.

b. Implemented activities:

ADB has offered no-objection letter for the proposal of enhancing capacity of livestock environmental monitoring equipment of the project provinces and relevant agencies for monitoring environment after biogas of the biogas plants funded by the Project. CPMU is collaborating with consultants to prepare bidding document submit ADB for no-objection.

According to regulations of the National Livestock Environment Standards, the management agencies need to monitor 35 analysis indicators of the environment after treatment with biogas. Now the project provinces and some agencies assigned to monitoring the livestock environment are not sufficiently equipped and trained for monitoring the livestock environment in accordance with the national standards. Thus, the need of enhancing equipment capacity for monitoring constructed biogas plants at central and provincial level is vital now.

*1.1.5. Activity 5: Monitor annual attributable CO<sub>2</sub> reduction and issuance of carbon revenue from the certified emission reduction.*

a. Main content:

The Project will support developing the monitoring system from central to local level to monitor the annual emission of GHG. The Project will provide counseling on mechanism for operation of the carbon market in biogas.

b. Implemented activities:

The Project has collaborated with BP under DLP to develop the database of biogas plants management, support for selling carbon credit. The official version of the biogas plant database software has been completed and the service provider is organizing providing instruction for PPMUs, project consultants, and BP.

The plan of proposing NBP under Department of Livestock Production as the focal agency for selling carbon credit biogas and using the revenue from selling carbon credit to reinvest in biogas development is properly due to the fact that NBP has had experience in this complicated sector. However, in order to support effectively, NBP needs to actively collaborate with CPMU, set necessary requirements for the Project so that CPMU can apply to implement soon.

***1.1.6. Activity 6: Enhancing capacity building for the governmental officials and relevant agencies to continue management of the development of NBP.***

a. Main content:

The Project will provide training and strengthening capacity and equipment for relevant agencies in management and development of NBP.

b. Implemented activities:

CPMU is conducting supporting the National Biogas Programme (NBP) under Department of Livestock Production and The Department of Science, Technology and Environment, the two units which are assigned to develop NBP by MARD, in order to develop the database of biogas plants nationwide (Phase 1 will be implemented in the 10 project provinces) to avoid duplication of biogas assistance works, support planning and evaluate the level of completing the national target in biogas development. The proposals on strengthening equipment capacity for the Department of Livestock Production, DSTE and the 10 project provinces have been developed by CPMU in collaboration with LIC and approved by MARD and ADB, this has been updated to the Project Procurement Plan of the Project. Now CPMU is preparing the bidding document, and expects to submit ADB in August 2016.

CPMU is developing training document, information and communication for enhancing awareness of the officials of the government and relevant agencies on biogas development and creating revenue from selling carbon credit.

Management and development of biogas plants are significant in the context of there are many donors and programmes, central and local projects for support biogas development. The Project supports the management agencies under MARD to develop the database of biogas plants, so as to support MARD to more effectively manage the supporting resources for this sector, as well as provide accurate data for making strategy, plan and monitoring implementation of the national target in biogas development.

## **1.2. Sub-component 1.2: Providing support for Biogas plant development**

*1.2.1. Activity 7: Monitor use of biogas plants with adequate environmental facilities.*

a. Main content:

CPMU and PPMUs conduct checking operation and environmental items of constructed biogas plants assisted by the Project in order to evaluate quality of the biogas plants assisted by the Project and the level of environmental improvement. The minimum number of checked biogas plants annually is 5% out of the entire biogas plants that were constructed under the Project in the previous years.

b. Implemented activities:

Accumulated from the beginning of the Project, CPMU and PPMUs have coordinated to check 3,006 biogas plants (By the method of random selection of biogas plants based on the database updated by the provinces).

The result shows that almost of the checked biogas plants are operating well, there is not any broken digesters found until now, the farmers have good awareness of management and maintenance of biogas plants in accordance with provided guidance. There are several errors detected in some biogas plants such as lack of code inscription or blurred inscription at the time of checking, inaccurate information in the updated database, households received incentives late, etc., these issues have been noticed to the executive agency to solve promptly.

***1.2.2. Activity 8: Train and certify the technicians, masons, engineers, and contractors for supporting construction of BVC.***

a. Main content:

The Project will support training and certify for masons and biogas contractors who are qualified for the need of biogas plants construction/installation of farmers in the 10 project provinces. The Project has also formed a team of qualified technicians to ensure the technical needs of farmers to register application for participating in the Project.

b. Implemented activities:

Accumulated from the beginning of the Project until 31 July 2016, the Project has organized 39 training courses for 839 turns of technicians, 05 contractors, 28 technicians for large and medium biogas scale, 321 turns of masons/installers.

Qualification of masons and biogas contractors is important to ensure the quality of biogas plants. Thus it is significant to provide training and enhance capacity, extend the resource of technicians and masons, biogas contractors to satisfy sufficiently and timely the need of biogas plants construction of farmer households and livestock farms, so as to ensure the success of the Project. In the coming time, CPMU will coordinate with other agencies to continue organizing advanced training to ensure the quality of the human resource for biogas plants construction at different scales for farmers.

***1.2.3. Activity 9: Providing incentive for carbon market development.***

a. Main content:

The Project will support finance for 36.000 small biogas plants (3 million VND/biogas plant), 40 medium biogas plants (10 million VND/biogas plant), 10 large biogas plants (20 million VND/biogas plant).

b. Implemented activities:

Accumulated from the beginning of the Project until 31 July 2016, PPMUs have constructed/installed 37,128 small biogas plants, 4 medium biogas plants, accepted 32,011 small biogas plants and transferred incentives for 28,152 small biogas plants owners.

The activity of biogas plants development has brought high efficiency in investment, society, and the environment. The households use biogas instead of fuel for cooking that reduces cooking time and harmful smoke for women, using



biogas plants helps keeping the environment clean. However, large and medium biogas plants have not promoted effectively the value of investment and the environment because the produced gas is not fully utilized.

## **2. COMPONENT 2: CREDIT LINES FOR BIOGAS VALUE CHAINS**

### a. Main content:

The Project will provide credits for enterprises and farmers (priority on gender) in the project provinces plants through Viet Nam Bank of Agricultural and Rural Development, Cooperative Bank of Viet Nam and other appropriate financial intermediaries in order to develop the biogas value chain infrastructure – including lending for construction of waste collection system infrastructure, biogas plants, biogas utilization equipment (stoves, generators, kilns, gas pipelines,...), environment treatment items (sedimentation tank, filter tank, items for handling redundant manure,...), items for storing, transporting waste for producing and use organic fertilizer.

### b. Implemented activities:

The financial intermediaries including VBARD and CoopBank have conducted disbursing the credit fund for biogas plants construction with a preferential interest rate of 10% lower than the interest rate in the current market. In 2015, CPMU collaborated with the central financial intermediaries to organize training workshops on information and communication for farmers, financial intermediaries in communes, districts and training on regulations, procedures and lending norms for technicians. However, the implementation progress of Component 2 is still very slow, according to reports of the financial intermediaries, accumulated from the beginning of the Project until 31 July 2016, the 2 financial intermediaries have only disbursed 241 sub-loan with a total amount of 11 billion VND (accounting for 1.3% out of the allocated credit fund). Specifically, VBARD has disbursed 198 sub-loans with 5.52 billion VND in Bac Giang and Lao Cai, CoopBank has disbursed 43 sub-loans with 5.53 billion VND in Binh Dinh and Bac Giang. As commitment of the two FIs, it can be only disbursed about 13 million USD by the end of the Project on 30 June 2019.

Based on the evaluation of the Credit Consultant, on 06 June 2016, MARD has sent ADB an official dispatch on adding Vietnam Bank for Social Policies (VBSP) to participate in the Project. As VBSP has the appropriate lending method for the Project: (i) focusing in farmer households with small

loan; (ii) do not require certificate of land ownership (red book); (iii) apply microfinance model through civil society organizations, so its ability to implement the credit component is very high. Now, VBSP commits to disburse 40 million USD of the credit fund of the Project within 02 years. The Consultant of the Project has assessed and concluded that this plan is possible.

In fact, the slow disbursement of the credit component has impacted seriously to the whole progress of the project implementation, as the credit fund accounts for 50% of the total fund of the Project. Although CPMU, PPMUs and the central banks have made best efforts to accelerate disbursing this fund, the demand of receiving fund from the Project of VBARD branches and people's credit funds in the 10 project provinces is still very low, so this is a factor of force majeure against the Project.

### **3. COMPONENT 3: ENHANCED CLIMATE-SMART AGRICULTURE WASTE MANAGEMENT PRACTICE TECHNOLOGY TRANSFER**

#### **3.1. Sub-component 3.1: Prepare a research strategy to direct project research activities on CSAWMP**

##### *3.1.1. Activity 1: Research and trials activities on CSAWMP.*

###### a. Main content:

The Project will support developing 6 research packages on CSAWMP to promote the technologies of using agricultural waste for producing organic fertilizer, bio-energy and other activities of creating income (including producing biogas, using produced biogas, producing organic fertilizer and trying used of organic fertilizer on various types of crop and soil in the 10 project provinces). The researches on technologies of using cultivation and aquaculture by-products for producing organic fertilizer and bio-energy and other technologies of reducing greenhouse gas emissions are also considered to implement within the Project.

###### b. Implemented activities:

ADB had no-objection to the content and list of 06 research packages and require recruiting implementation agencies for the research topics according to the consultant recruitment procedure of ADB. CPMU has submitted ADB the submission 0 for response.

Until now, the research activities are vital to find direction for agricultural waste treatment in order to protect the environment and create income for farmers. The research activities were delayed due to slow recruitment of LIC. Therefore, CPMU request ADB and MARD to promptly approve to conduct implementation as soon as possible.

**3.1.2. Activity 2: Establishing an information system for sharing CSAWMP.**

a. Main content:

The Project will support developing an information system (e-library), to support sharing information on transferring CSAWMP for farmers and enterprises to apply in production in the 10 project provinces. The system will be involved by the relevant research units to support the provinces and promote sharing information on CSAWMP among research units under MARD.

b. Implemented activities:

The updated project procurement plan has been approved by ADB and MARD. CPMU is collaborating with LIC to develop TOR for the package of design installation, monitoring and technological transferring for e-library system, and expects to submit ADB for no-objection on 30 August 2016. The package of equipment for e-library will be conducted after the package of consult has design.

The survey of the consultant shows that farmers and enterprises are facing with various difficulties in searching information on CSAWMP and applicability of technologies in production. Forming a e-library system with participation of research units will help to link research and extension staffs with farmers and enterprises, so as to promote transferring CSAWMP in actual production.

**3.1.3. Activity 3: Training research and extension staff in efficient CSAWMP (including study tours)**

a. Main content:

Based on the evaluation of training need, CPMU will organize short training courses, domestic and oversea study tours for management officials and research staff of MARD, agricultural extensionists of the 10 project provinces on application of CSAWMP.

b. Implemented activities:

Accumulated from the beginning of the Project until 31 July 2016, PPMUs have organized 16 domestic study tours to share experience on the technology of livestock waste management for 278 staff. CPMU is preparing the plan for oversea study tour on the technology of livestock waste treatment at farm-scale in 2016.

CPMU has relevant agencies in developing the plan for organizing training courses for research staff, and staff at professional agencies on the technologies of using agricultural waste for producing bio-energy, organic fertilizer and the technologies of agricultural production with low GHG emissions. Bases on the evaluation result on need of training implemented by the consultant, CPMU and LIC have identified 03 topics for training including: (i) Biogas value chain, effective and safe use of biogas in CSAWMP, (ii) Effective use of agricultural by-products and bio slurry for producing organic fertilizer under value chain, and (iii) Technical process in livestock and cultivation under value chain, reducing GHG emissions, supporting CSAWMP.

***3.1.4. Activity 4: Develop training program, textbooks, and syllabus for training farmers on appropriate techniques for CSAWMP and provide vocational training for farmers.***

a. Main content:

The Project will support developing training programs, lectures and curriculums, printing training document on CSAWMP for farmers (technology of using agricultural waste for producing organic fertilizer, bio-energy, applying the technologies of reducing GHG emission in agriculture). These training programmes can be used for the national target programme on vocational training for farmers.

b. Implemented activities:

Based on the assessment of needs of training of the consultant, CPMU is collaborating with LIC in developing implementation plan of training program and documents related to the technology of using agricultural waste for producing bio-energy, organic fertilizer and reducing agriculture's greenhouse gas emissions in order to protect the environment and create more income for farmers. CPMU is also collaborating with LIC and stakeholders in developing a set of assessment criteria on the outcomes and efficiencies of vocational training in agriculture.

**3.1.5. Activity 5:** *Activity 5: Upgrade CSAWMP – based map sets for 7 agro-ecological regions to forecast the direct impact of climate change and provide support for agricultural planning.*

a. Main content:

CPMU has collaborated with relevant agencies conducting upgrade and update of map sets of potentiality and current situation of agricultural waste use for producing recycled energy and organic fertilizer in order to support agricultural waste management planning.

b. Implemented activities:

The Project is conducting upgrade of map sets of potentiality and current situation of agricultural waste use for producing renewable energy and organic fertilizer, to include support for agricultural waste management planning. It is significant to update information on potentiality and current situation of agricultural waste use for producing recycled energy and organic fertilizer in form of map set in order to support the management units under MARD to plan for development of agricultural waste use for reducing environmental pollution and increasing income for farmers. Until now, there is not any agency under MARD possessing a database on this field.

**3.2. Sub-component 3.2: Constructing CSAWMP demonstrations for agricultural waste management**

**3.2.1. Activity 6:** *Develop livestock waste management demonstrations for agricultural production and greenhouse gas emission reduction.*

a. Main content:

PPMUs will organize implementation of the demonstrations related to livestock waste management in order to achieve the targets of the Project including: (i) Transferring at least 70% of the livestock waste amount to produce organic fertilizer; (ii) Using at least 80% of the biogas amount produced from biogas plants; (iii) Reducing the working time of women and children about 1.8 – 2 hours per day.

b. Implemented activities:

ADB has agreed with the implementation plan and method of the demonstration packages of livestock waste treatment for producing organic fertilizer and bio-energy. The procurement method has changed as which CPMU will be responsible for implementing concentrated procurement of the whole

packages instead of PPMUs, CPMU and PPMUs will sign contract with the winning bidder, PPMUs will manage contracts and payment from the allocated fund, thus the procurement process of demonstration packages is expected to begin in Q3/2016. CPMU has organized a guidance meeting with PPMUs on implementation contents, method and plan of the demonstrations under Component 3. MARD has established Decision No. 2081/QĐ-BNN-TC dated 07 July 2016 on Regulations of implementing the demonstration models under LCASP. According to this guidance, PPMUs have organized selecting households and locations to implement the demonstrations. By 31 July 2016, 4 PPMUs have submitted full document of household selections for the demonstration: application of manure separating system to treat livestock waste to produce material for organic fertilizer production at farm scale, the 4 provinces: Bac Giang, Phu Tho, Binh Dinh, Ben Tre. CPMU has synthesized a report of household selection results of the 4 provinces and submitted ADB for no-objection.

### ***3.2.2. Activity 7: Training agricultural extensionists and farmers on CSAWMP.***

#### **a. Main content:**

CPMU, PPMUs will coordinate with the training agencies to organize training courses for about 7,700 turns of farmer and agricultural extensionists on techniques of agricultural waste management and CSAWMP.

#### **b. Implemented activities:**

Accumulated from the beginning of the Project until 30 July 2016, the whole Project has organized 58 training courses for agricultural extensionists, key farmers on CSAWMP with 2,062 turns of participants, of which 931 people are female. Now, PPMUs continues preparing training courses for agricultural extensionists and farmers on CSAWMP, promoting implementation in Q3,4/2016.

The training activities for farmers and agricultural extensionists are significant for supporting farmers and enterprises in applying CSAWMP into actual production. However, the implementation agencies need to pay attention on evaluating quality of these activities and complying the criteria of gender and ethnic minorities of the Project.

## **4. COMPONENT 4: PROJECT MANAGEMENT**

### **4.1. Implemented activities:**

MARD has approved the Master Plan of the whole project, the Project Procurement Plan, the Master Training Plan, and annual financial plans as base for implementing the activities under the Project. The Project Implementation Manual and the Project Financial Management Manual were established and CPMU has organized training courses on guidance for PPMUs for implementation. The accounting software was developed and put into operation, that helps the accounting system between CPMU and PPMUs managing finance quickly and accurately. Annually, CPMU organizes missions to work with the 10 project provinces in order to directly support, supervise, hasten as well as organize periodic meetings, preliminary meeting and review meeting on the project implementation progress.

Until now, the three national independent consultants including the agribusiness consultant, the training consultant and the PIM/PAM consultant ended contracts.

The on-going consultants are now coordinating closely with CPMU to implement Project including: (i) Project Management Consultant (LIC); (ii) Baseline Survey; (iii) Project Auditing; (iv) National Biogas Value Chain (BVC) Credit Market Specialist; (v) National Commercial Business Planner-Finance Specialist, (vi) International Agribusiness Specialist.

The monitoring and evaluation system of the Project has been developed in a scientific manner to monitor and reflect sufficiently current situation of the Project and propose appropriate adjustment if necessary. According to the quarterly and annual report forms prepared and guided for PPMUs by CPMU, PPMUs submit implementation progress reports to CPMU to synthesize and summarize in the project implementation progress report according to requirements of GoV and ADB.

The Project has developed a draft of DMF with appropriate adjustment for the current situation of the Project to submit ADB for comments.

In order to conduct the activities related to gender and ethnic minorities, CPMU and PPMU have assigned specialized staffs for this issue, the gender and ethnic minority specialist has been mobilized to support the Project in training and information in the project provinces.

## **4.2. Financial management**

Human resource: until now, the human resource of accountants of CPMU and PPMUs has been adequate and stable, that ensures requirements of qualification. Now all PPMUs have accountants who are responsible for financial implementation and management of the Project in their provinces.

Training capacity building: CPMU has organized training and regularly providing guidance for strengthening capacity of financial staffs of the Project on financial management, use of accounting software, asset management process, and guidance on new official documents and how to monitor project activities for accountants of the PPMUs. Besides, the remaining issues of internal control and accounting works was given recommendations in independent audits, internal audit and monitoring and evaluation of ADB to discuss, exchange and find solutions in order to complete and improve financial management capabilities for all PPMUs.

Capital and disbursement: based on the monthly evaluation on disbursement progress of the Project, the process of payment and payback has been improved considerably in the recent time. The process of payback for PPMUs is implemented quickly and timely by CPMU, that ensures the capital in the project account of the project provinces for PPMUs to actively pay for expenditures during project implementation.

Independent Audit: The financial statements of the Project for the period from June 2013 – December 2014 and 2015 were completed and submitted to ADB on time as required.

The opinions of independent audit stated in Management Letter and annual report were completed by CPMU and PPMUs and these were also adjusted in the audited financial statements in order to learn from experience in financial operations in the next years.

Internal Audit: CPMU collaborates with the Department of Finance under MARD annually in conducting internal audit in 10 PPMUs, so as to solve all problems happening during the annual settlement process timely.

## **5. IMPLEMENTATION AND DISBURSEMENT:**

Accumulated from the beginning of the Project until 31 July 2016, the total fund of ADB for the whole project is 67.506 million USD, of which the credit fund is 32.336 million USD, contingencies fund is 2.172 million USD and



interest rate is 2.187 million USD. Therefore, the total fund of ADB for non-credit activities (for CPMU and 10 PPMUs) is 30.256 million USD.

Until now, the CPMU and 10 PPMUs have implemented 12.378 million USD, achieved 40.91%, disbursed 9.038 million USD, achieved 29.87% out of the total implementation fund of non-credit activities (30.256 million USD).

### **III. RECOMMENDATIONS**

- CPMU requests ADB to have no-objection and MARD to have approval promptly for procurement activities of research and demonstration packages under the Project so as to satisfy the schedule agreed by the two sides.
- CPMU request FIs to promote conducting the credit component so as to boost disbursement of this component.
- CPMU requests ADB to have no-objection for the proposal of offering VBSP as an implementation agency for the Credit Component of the Project
- In 2016, the Ministry of Planning and Investment has assigned ODA disbursement plan for some provinces of the Project, however this disbursement plan is much lower than reality (Eg. Phu Tho, Ha Tinh, ect.). This fact impacts negatively on the disbursement progress of the Project because the Treasury refuses to disbursement. Therefore, CPMU requests the competent agencies for consideration and settlement in order to ensure the project implementation progress.
- CPMU requests ADB to have comments on transferring a part of credit fund to non-credit fund (about 10 million USD) in order to continue supporting small biogas plants development in the 10 project provinces (with demands of about 260,000 small-scale livestock households who have not possessed biogas plants) and supporting farms in sustainable livestock environment treatment by development of producing organic fertilizer and bio-energy. Now, the new loan projects funded by ADB and WB have the interest rate of about 2.5% per annum, while the interest rate of LCASP is only 1% per annum during the grace period of 8 years, and 1.5% per annum thereafter in 32 years, therefore, the demand of taking advantage of this loan is very necessary for GoV.

## **APPENDICES ATTACHED TO THIS REPORT**

Appendix 1: Status of agreed follow-up actions from the August review mission

Appendix 2: Implementation progress upon component (Output1, Output 2, Output 3, Output 4)

Appendix 3: Design and Monitoring Framework (Changing proposal)

Appendix 4: Loan Covenants

Appendix 5: Project ADB fund disbursement

Appendix 6: Number of constructed biogas plants

Appendix 7: Status of training courses of project