ADAPTATION FUND

SINGLE COUNTRY INNOVATION PROJECT PROPOSAL

PART I: PROJECT/PROGRAMME INFORMATION

Title of Project/Programme:	**Promoting Financial Incentive Mechanisms for Community-based sustainable coastal wetland Management in Vietnam (CM-FIM)**
Country/ Countries:	Vietnam
Thematic Focal Area[1]:	Innovation in adaptation finance
Type of Implementing Entity:	Multilateral Implementing Entity (MIE)
Implementing Entity:	International Fund for Agricultural Development (IFAD)
Executing Entities:	Ministry of Natural Resources and Environment (MONRE)
Amount of Financing Requested:	5 million (in U.S Dollars Equivalent)

Project / Programme Background and Context:

Vietnam has a total population of 96.2 million people[2] (49.8% male and 50.2% female) (PHC, 2019). Located on the eastern margin of the Indochinese Peninsula, the country covers 331,236 km² (290 persons per km²)[3] and has a coastline of 3,260 km. Vietnam has a tropical climate zone, with the entire country experiencing the effects of the annual monsoon. In the northern regions, average temperatures range from 22–27.5°C in summer to 15–20°C in winter, while the southern areas have a narrower range of 28–29°C in summer to 26–27°C in winter (World Bank, 2019).

Vietnam's long coastline, geographic location, and diverse topography and climate contribute to being one of the most hazard-prone countries[4] of Asia and the Pacific Region. Given that a high proportion of the country's population and economic assets are located in coastal lowlands and deltas, the World Bank

[1] Thematic areas are: Agriculture, Coastal Zone Management, Disaster risk reduction, Food security, Forests, Human health, Innovative climate finance, Marine and Fisheries, Nature-based solutions and ecosystem based adaptation, Protection and enhancement of cultural heritage, Social innovation, Rural development, Urban adaptation, Water management, Wildfire Management.

[2] Vietnam's population increased by 10.4 million people over the last decade. The average annual population growth rate from 2009-2019 was 1.14% per year, a slight fall compared to the rate from 1999-2009 (1.18% per year) (PHC, 2019)

[3] Vietnam is the third most densely populated country in Southeast Asia after the Philippines (363 people per km²) and Singapore (8,292 people per km²)

[4] Vietnam is ranked 91 out of 191 countries by the 2019 INFORM Risk Index based on its high exposure to flooding (ranked 1st together with Bangladesh), tropical cyclones and their associated hazards (ranked 8th), and drought (ranked 82nd).

ranked Vietnam among the five countries likely to be most affected by climate change. Without effective adaptation measures, by the end of the 21st century, an estimated 12 million people will face permanent inundation, primarily concentrated in the country's two low-lying mega-river deltas. An estimated 2.4% (~ US$6.3 billion) of Vietnam's Gross Domestic Product (GDP) from permanent inundation in the Red River Delta region. In addition to the threat of permanent inundation, livelihoods in Vietnam's low-lying areas face major challenges from saline intrusion, which has already forced land-use changes, abandonment, and reduced yields in many provinces (World Bank, 2019).

To reduce the environmental footprint associated with the country's economic growth, the government has been developing and adopting relevant policies[5] and mitigation and adaptation measures. In particular, to protect the wetlands along the coastline, Vietnam has been investing in hard infrastructure such dikes and sluice gates, and, in some cases, mangroves restoration[6], registering an increase of 9,411 ha of mangrove forests countrywide from 2000 to 2017 (MARD 2018). Despite the progress made so far, mangrove forest management in Vietnam still faces some important challenges, which could be tackled through a mangrove ecosystem approach. Key challenges include: unclear responsibilities among management agencies, conflicts in land-use planning, high demand for land use from other sectors (aquaculture and urbanization), weak local community engagement and rural poverty (Hawkins et al. 2010), and limited data and analysis on mangrove forest management.

The proposed project "Promoting Financial Incentive Mechanisms for Community-based sustainable coastal wetland Management in Vietnam (CM-FIM)" builds on the recognition that mangroves play a critical role in climate change mitigation[7] (through carbon sequestration) and adaptation (e.g., through stabilizing shoreline erosion, reducing storm surges, trapping sediment, and preventing inland soil salinization) (Koh H.L., Teh S.Y., 2020)[8]. The project will address the key gaps/barriers in advancing an enabling policy environment and supporting the capacity building requirements of key stakeholders to tackle mangrove deforestation and the forest degradation/agricultural expansion nexus. It will promote effective planning of mangrove forest management and implementation of enhanced measures for mangrove forest protection and development through financial incentive mechanisms for inclusive and remunerative community and supportive private sector engagement (see Annex 2 for the Theory of Change).

The geographical area of the project lies in two of the country's provinces most severely affected by climate change and human impacts along the Mekong River: Tra Vinh and Ben Tre provinces located in the last–lower basin of the Mekong River (located in the Mekong Delta)[9]. With a total coastline of 130 km, Tra Vinh

[5] The Government of Vietnam has developed and issued several policies responding to the country's climate change challenges such as: the National Climate Change Strategy (2011); the National Green Growth Strategy (2012); the Law on Natural Disaster Prevention and Control (2013); the Law on Environment (2014); the Vietnam's Renewable Energy Development Strategy to 2030, with a vision to 2050 (2015); the Revised National Power Development Plan (PDP) for 2011- 2020 with a vision to 2030 (revised PDP VII) (2016); the Paris Agreement and the associated Nationally Determined Contribution (2016); PIPA (2016); the National Action Plan for Implementation of the 2030 Agenda for Sustainable Development (2017); the Resolution of the Politburo of the Central Committee of the Communist Party of Vietnam on the orientation of Vietnam's National Energy Development Strategy to 2030, with a vision to 2045 (2020).

[6] Between 1943 and 2000, mangrove areas in Vietnam declined from 450,000 ha to 155,290 ha (Sam et al. 2005) due to population and economic pressures (i.e., conversion to agricultural production and aquaculture, exploitation of tree resources, and urbanization).

[7] Mangroves sequester carbon far more effectively (up to 100 times faster) and more permanently than terrestrial forests. Mangrove forests store up to five times more carbon than most other tropical forests around the world. Mangroves have more carbon in their soil alone than most tropical forests have in all their biomass and soil combined. Cutting down mangroves means releasing larger amounts of carbon into the atmosphere. This in turn causes the wet soil to dry up, leading to the release of even more stored carbon into the atmosphere (https://archive.recoftc.org/project/grassroots-capacity-building-redd/news-and-features/mangroves-more-carbon-rich-and-important-climate-change).

[8] According to several studies, the total economic value of mangroves in Vietnam varies from US$ 1,000 to 4,200 ha/year (Sam et al., 2005; Phuong et al., 2012).

[9] United Nations Office for Disaster Risk Reduction (UNISDR) Prevention Web –- https://www.preventionweb.net/countries/vnm/data/

and Ben Tre provinces suffer the adverse impacts of saline water intrusion in cropland, storms and flooding. Their total ~ 50,000 ha coastal wetlands with 20,000 ha mangrove forests play a critical role in trapping the sediment from the Mekong River and supporting endemic habitat and biodiversity while providing an important source of livelihoods for about 10,000 households (about 35 000 people) living adjacent to mangrove forests. Among these, there are around 3,000 Khmer ethnic minority households with a poverty rate of 25%, which is much higher than the average poverty rate in the two provinces (6-8%)[10]. Due to limited climate sensitive planning in current production systems and infrastructure, from 2015 to 2020 droughts have affected 200,000 ha of rice and fruit cultivation in Tra Vinh and Ben Tre provinces[11] and pushed 11,000 households back into poverty, while an additional 65,000 households became highly vulnerable (IFAD, 2020).

The project will benefit from IFAD's 25 years of experience in Vietnam and 12 years working in Tra Vinh and Ben Tre provinces. It will refine and scale-up successful approaches of past and on-going projects such as the upcoming Climate Smart Agriculture Transformation Project (CSAT) in Ben Tre and Tra Vinh, as well as other initiatives supported by development partners such as the World Bank-financed Mekong Delta Integrated Climate Resilience and Sustainable Livelihoods Programme (MD-ICRSL/WB9) and the GIZ-financed Integrated Coastal Management Programme.

Project / Programme Objectives:

The project aims at reducing the vulnerabilities of rural communities to adverse impacts of climate change through enhancing coastal wetland management with a focus on community-based co-management of mangrove forests and associated ecosystem services in Tra Vinh and Ben Tre provinces of Vietnam.

The overall goal will be achieved through two specific objectives:

1. Roll out of successful **innovative green financial incentive mechanisms** for the benefits of actors engaged in coastal wetland management, including local communities;
2. Scale up of **viable innovations for sustainable and climate resilient coastal wetlands management**.

Project / Programme Components and Financing:

Project Components	Expected Outcomes	Expected Outputs	Countries	Amount (US$)
Component 1: **Enabling policy environment for adaptive coastal wetland management**	**Outcome 1.1**: **Climate adaptation mainstreamed into national coastal wetland policies** - At least 2 existing/new regulations, policies or strategies (at central/provincial level) improving coastal wetland management and planning proposed to policy makers for	**Output 1.1.1: Evidence-based approaches to adaptive coastal wetland management built** - At least 10 best practices on mangrove management within the Mekong Delta region of Vietnam developed in a participatory manner and presented to policymakers for policy impact; - At least 3 options for Financial Incentive Mechanisms (FIM), mobilizing resources from both public and private sector, developed and rolled out.	Vietnam	1,000,000

[10] https://travinh.gov.vn/mDefault.aspx?sid=1433&pageid=5691&catid=71849&id=595404&catname=formation-history&title=formation-history-of-tra-vinh-province

[11] 16 Provincial People's Committees of Tra Vinh, Ben Tre – Socio Economic Development of Tra Vinh, Ben Tre in the period 2015-2020.

	approval, ratification or amendment. **Outcome 1.2: Capacity in place for adaptive coastal wetland management** - The capacity of at least 80% of targeted public and private actors' implementing adaptive approaches to coastal wetland management strengthened	Related lessons learnt presented to policymakers for policy impact; - At least 10 livelihood options for coastal wetland management identified, implemented and related lessons learnt presented to policymakers for policy impact. **Output 1.2.1: Local capacity on community-based coastal wetland planning and management strengthened** - At least 1 climate-adapted Socio Economic Development Plan (SEDP) per project commune/village developed with innovative coastal wetland management systems; - At least 12,000 individuals at local level trained and involved in planning and management of adaptive mangrove forests management *(50% women and 30% youth);* - At least 6,000 farmers trained in - and adopting mangrove co-management practices *(50% women and 30% youth).*		
Component 2: **Up-scaling of innovative adaptation practices in coastal wetland management**	**Outcome 2.1**: **Increased community participation in adaptive coastal wetland management** **Outcome 2.2: Increasing resilience of rural HH to climate, environment and economic shocks**	**Output 2.1.1: Co-management framework established and implemented** - 1 national mangrove co-management framework is revised and enforced; - At least 6,000 HH participate in mangrove co-management *(at least 10% are women-headed HH)*; - At least 100 community groups are supported to sustainably manage mangrove and climate-related risks *(50% women and 30% youth)*; - 10,000 ha of mangroves re-established, protected or sustainably managed. **Output 2.2.1: Financial incentive mechanisms (FIM) rolled out** - Financial incentive mechanisms, including Payment for Forest Ecosystem services (PFES), enterprise	Vietnam	3,000,000

	- At least 4,200 HH *(at least 10% female headed)* have increased their resilience score by 20% (in accordance with IFAD resilience scorecard)	engagement and co-finance, rural finance, established and implemented; - At least 70% of beneficiaries receiving the project proposed FIM and investing in adaptive coastal wetland management *(50% women and 30% youth)*; - At least 20 private sector entities involved and co-investing in the mangrove areas development.		
***Component 3*:** **Knowledge Management (KM) for adaption policy impact**	**Outcome 3.1:** **Improve the evidence base for adaptive coastal wetland management planning** - At least 10 KM products on adaptive coastal wetland management and planning promoted and/or rolled out across the Mekong Delta region of Vietnam for policy impact.	**Output 3.1.1: Knowledge management established and implemented for climate change awareness raising and decision making in adaptive coastal wetland management** - At least 1 baseline, 1 midterm and 1 final assessments done per province results; - A manual for gender-equitable community-based coastal wetland management planning developed and rolled-out; - At least 1 (virtual) learning route organized among Vietnam relevant provinces for knowledge sharing experience on innovative adaptation practices in coastal wetland management; - At least 5 national programme meetings attended by the project coordination unit and district facilitators; - At least 5 districts adopting global environmental and resilience benefit assessment tools and protocols and using the information for policy and programme design.	Vietnam (with possible scaling up to other IFAD Mekong countries)	300,000
6. Project/Programme Execution cost				332,000
7**. Total Project/Programme Cost**				**4,632,000**
8. Project/Programme Cycle Management Fee charged by the Implementing Entity				368,000
Amount of Financing Requested				**5,000,000**

Projected Calendar:

Indicate the dates of the following milestones for the proposed project/programme

Milestones	Expected Dates
Start of Project/Programme Implementation	June, 2022
Mid-term Review (if planned)	June 2025
Project/Programme Closing	June 2027
Terminal Evaluation	December 2026

PART II: PROJECT / PROGRAMME JUSTIFICATION

The CM-FIM project will develop scalable approaches to climate change adaptation and innovative management of coastal wetland to help conserve biodiversity, increase mangrove forests, promote adaptation measures, and improve livelihood options of local people living near the mangrove forests in the project areas. The project will target about 6,000 households, equivalent to some 21,000 people, of which 30% are classified as poor and near poor and 25% are Khmer ethnic minority households. In line with IFAD's focus on the poorer and more underserved rural areas of Vietnam with a high concentration of ethnic minorities, special attention will be given to the most vulnerable groups such as women (at least 50% of total beneficiaries), youth (age 16-30, at least 30% of total beneficiaries) and ethnic minority groups. Due diligence and Free, Prior and Informed Consent (FPIC) will be applied when engaging with members of ethnic minorities and other vulnerable groups in the selected communities before initiating planning and implementation of activities, in compliance with the Environmental and Social Policy of the Adaptation Fund and IFAD-updated Social, Environmental and Climate Assessment Procedures (SECAP).

COMPONENT 1: **Enabling policy environment for adaptive coastal wetland management.** This component aims at improving effective policies and mechanisms for coastal wetland (specifically, mangrove forests) planning and management in Tra Vinh and Ben Tre provinces. The project will complement other ongoing initiatives (the CSAT project for the period 2021-2027) supported by IFAD in the two provinces promoting land and forestland use planning through the climate informed–market oriented Socio Economic Development Plan (SEDP). As in previous and ongoing IFAD-supported projects in Vietnam, to ensure long-term sustainability, the integrated SEDP will form the basis for climate resilient natural resource management and economic livelihood improvement, planning, capacity building and public-private-producer partnerships (4P) and collaboration.

Sub-component 1.1 (Output 1.1): Building evidence-based approaches to adaptive coastal wetland management. This sub-component builds on the work already undertaken by research institutions, International Financial Institutions (IFIs), and IFAD's 25 years of experience working in 11 provinces in Vietnam. The CM-FIM project will fill the knowledge gaps on developing viable livelihood options for local communities living within and around mangrove forest areas in the face of increasing salinity, temperature and water stress, and making climate change concerns explicit in the planning and resource allocation processes at the provincial, district, and commune level. The sub-component will identify the core set of effective coastal wetland management action research areas to be addressed. The topics should cover the following:

a) good practices of mangrove management in the region;
b) mechanisms for effective mangrove management;

c) options for Financial Incentive Mechanisms (FIM) with special attention to private sector engagement;
d) sustainable economic livelihood options from mangrove forests.

The set of good practices will be analysed and packaged into knowledge products. The planning process (sub-component 1.2) will help identify interests and resources for rolling-out the practices including the capacity building requirements associated with the different actors involved. Actual priority investments, replication, and institutionalization of the practices will be undertaken under Component 2.

Sub-component 1.2 (Output 1.2). Strengthening local capacity on planning community-based coastal wetland management. This output builds on the strong and rooted foundation developed by IFAD in helping improve the commune level Socioeconomic Development Planning (SEDP) all over the country including in Tra Vinh and Ben Tre provinces. The output supports capacity building to undertake gender-equitable community-based mangrove forest management planning focusing on climate change adaptation (CCA), disaster risk management (DRM), economic livelihood options, and commodity based planning. Results of the planning process will include a framework that identifies resources, interests, actors, and regulations for community based mangrove forest management. The planning process and results will also inform the Capacity Building Framework established by the project on topics/areas, stages, and actors for capacity building, including but not limited to forest use and economic livelihood planning; CCA and disaster risk management (CBDRM) planning; co-management planning; zero deforestation value chain planning; livelihood options; business development services; and policy dialogue.

COMPONENT 2: Up-scaling of innovative adaptation practices in coastal wetland management. Building on the results from Component 1, Component 2 will identify, select, and implement scalable and innovative approaches to climate change adaptation and management of mangrove forests in Ben Tre and Tra Vinh provinces.

Subcomponent 2.1 (Output 2.1): Establishment and implementation of co-management framework. Managing coastal wetlands in general and mangroves in particular presents different challenges compared to managing terrestrial or upland forests given the unique tidal dynamics, forest architecture, and the economic livelihoods that they can support. Due to the range of overlapping interests in mangrove areas, they are particularly suited to co-management arrangements that bring together government, private sector, and rural community stakeholders to develop and implement mutually beneficial management agreements.

This output supports key stakeholders to identify and establish mechanisms for jointly managing mangrove forests in Ben Tre and Tra Vinh provinces to ensure sustainable biodiversity conservation, livelihoods and ecosystem services.

The core set of good practices of mangrove forest co-management, as well as the planning framework developed under Component 1, will identify key stakeholders (including private sector actors), locally-led climate adaptation interventions and processes of community participation, which will set the foundation for implementation of this sub-component. The establishment and implementation of the co-management framework requires: (i) a platform for state and non-state actors, private sectors, and communities to come together to discuss and agree on co-management mechanisms; (ii) establishment of formal co-management institutional arrangements (e.g., mangrove co-management board/association) that are legally recognised by the Government of Vietnam to provide assurance and momentum for community participation and benefits; (iii) implementation of the co-management arrangements that recognise the benefits and responsibilities of all stakeholders; and (iv) subsequent investments that ensure the efficiency, effectiveness, and sustainability of co-management agreements.

Subcomponent 2.2 (Output 2.2): Rolling out of Financial Incentive Mechanisms (FIM). This output is the core of the project and will support identification and establishment of mechanisms for financing the new mangrove forest management arrangements. There are existing and potential FIM for mangrove forest management including: (i) Payment for Forest Ecosystem services (PFES) promoted by the Government of Vietnam as well as initiated by other actors on a voluntary basis, (ii) engagement with private sector through development of certified eco products (e.g. Eco shrimp of Minh Phu company) with premium paid

back to producers and forest owners, (iii) carbon trading credits, and (iv) other financing mechanisms and incentives. The planning processes supported under Component 1, as well as the co-management platform established under sub-component 2.1, will consider and support the analysis and identification of the options for FIM mechanisms serving as inputs for implementation of this sub-component.

COMPONENT 3. Knowledge Management for adaptation policy impact. This component will support the Ministry of Natural Resource and Environment in the development of a knowledge management strategy based on the outcomes of Components 1 and 2. It will focus on scalable approaches through knowledge products packaging and communications, and country-level policy engagement. Results from Components 1 and 2 will be packaged as knowledge products and disseminated within and outside the Mekong Delta region of Vietnam for replication and possible institutionalisation within the country. IFAD networks will play an important role for the dissemination and replication process e.g. Mekong Delta Coordination Network. Further, IFAD strong partnership with the Government of Vietnam will help promote institutionalisation of the co-management practices through its ongoing and future portfolio of projects and investments as planned under its Country Strategic Opportunities Programme (COSOP) for the period 2019-2025 agreed with the Government of Vietnam.

Consistency with SDGs and national sustainable development strategies. The project will contribute to the Sustainable Development Goals (SDG), especially SDG 1 (end poverty), SDG 2 (zero hunger), SDG 5 (gender equality), and SDG 13 (climate action). The project design will be fully aligned with the Government's strategic goals in three key development areas: (i) enabling market-led rural development, (ii) advancing access of the poor to commodity and labour markets, and (iii) enhancement of rural poor capacity to adapt to climate change. These goals are articulated in Vietnam's Socio-Economic Development Plan (SEDP) 2021-2025 (under development), the country's Socio-Economic Development Strategy (SEDS) 2021-2030 (under development), the Law on Environment, the Law on water management, the National Target Program for Climate Change Response and Green Growth for the 2016-2020, and the Agriculture Restructuring Programme. In the same vein, the CM-FIM project harmonizes its activities with the National Target Programme for New Rural Development (NTP NRD) and provides inputs to the National Climate Change and Green Growth policy frameworks, with the aim of scaling up accumulated knowledge and best practices at national level. Most importantly, the CM-FIM project will echo Resolution 120 on sustainable development in the Mekong Delta region and, in the same vein, contribute to the National Determined Contributions to the Paris Agreement on climate change.

Country and local ownership. Ownership and commitment to project investments supported by IFAD have been traditionally strong in Vietnam, from the national to province, district and commune levels. A comprehensive and fully participatory pre-design process will sensitize and firmly engage provincial and local authorities. The project will seek to promote good governance, accountability and meaningful participation by beneficiaries throughout the project cycle. To this end, the following aspects will be incorporated into project design: (i) Development of M&E arrangements that leverage collaboration with other relevant ministries and with non-state actors such as farmers organizations and civil society organizations to monitor programme performance; (ii) Development of stakeholder capacities to participate in and manage regular programme feedback mechanisms for gathering and managing views and observations; (iii) Support for capacity-building and promotion of SSTC in areas related to transparency and accountability; and (iv) Engagement in proactive public information disclosure on project implementation progress and results as a crucial aspect of creating an enabling environment for stakeholder engagement.

Harmonization and partnerships. IFAD has supported strategic efforts attaining to sustainable development in the Mekong Delta region over the past ten years. IFAD has done so in close cooperation with development partners active in the region, especially the World Bank (WB), Asian Development Bank (ADB), Japan International Cooperation Agency (JICA), Food and Agriculture Organisation (FAO) and key bilateral partners such as the Netherlands, Agence Française de Développement (AFD) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). Development partners hold regular coordination meetings e.g. the Mekong Delta Working Group and co-organise with Government the biennial Mekong

Delta Forum to take stock of results, align approaches and coordinate future investments. If approved, the CM-FIM project will be formally incorporated in the Mekong Delta Coordination Network.

Social, environmental, and economic benefits. The project is expected to generate substantial net incremental adaptation benefits for farmers, rural entrepreneurs and rural households in the target area. Benefits would directly accrue to farmers, ethnic minorities, women and youth including: (i) increased and sustainable farm production (crop, fish) under and around the coastal wetland areas through innovative, sustainable co-management approaches; (ii) increased incomes across the target groups through participation in fishery value chains (product type, quality and quantity meet market demand, better price along contract arrangements with private sector; new remunerative jobs and businesses for youth, EM and women), and other forms of FIM; (iii) improved biodiversity and associated ecosystem through co-management practices; (iv) increased area planted with mangroves which will increase carbon sequestration and provide ecosystem services such as acting as a filter for salinity; and (v) adaptation/prevention of climate change risks including salinity intrusion, hurricane, and inundation. A detailed breakdown of benefits by target group and investment type will be elaborated during design.

The project will actively seek to transform gendered power dynamics by addressing social norms, practices, attitudes, beliefs, and value systems that represent structural barriers to women's and girls' inclusion and empowerment. Activities will be implemented with an explicit gender focus, engaging women and young people fully as participants and beneficiaries by establishing membership and/or leadership quotas (50% women and 30% youth) in activity groups, as well as by adopting enabling measures including training approaches that increase their participation.

Environmental and social impacts & potential risks and mitigation measures. During the project design phase, an analysis of environmental and social risks and impacts will be carried consistent with the Environment and Social Policy of the Adaptation Fund and the applicable national environment and social policies and regulations. At the current project concept stage, the following key risks are identified: (i) External shocks including COVID could impact the Government's commitment to effectively and efficiently implement the project; and (ii) Climate events increase in frequency and intensity could affect the project target area before or during early project phase.

Mitigation measures include: the project is fully integrated and respond to the Law on Environment, the Law on water management, the Agricultural Restructuring Programme and the Resolution 120, and the core government programmes. The project promotes demand driven participatory approaches in line with directives form the highest political levels in Vietnam. The two provincial governments have long-standing experience and established protocols in case of adverse climate events such as typhoons. In the recent past, these disasters have been well managed and affected people were assisted in the aftermaths. The CM-FIM project will complement disaster risk programmes by fostering resilience ex ante and enabling fast recovery ex post climate disasters.

Key operational risk include: Agreed social and environmental safeguards are weakly implemented; and the project target groups and especially the most vulnerable groups are not included as intended in the design. Mitigation measures include: Target strategy will be developed and agreed in line with prevalent domestic policies and guidelines. Capacity building will assist domestic partners in the implementation and monitoring of the targeting strategy. Similarly, safeguards along the Environmental and Social Policy of the Adaptation Fund and domestic policies will be agreed before start-up, and ratified by the Government in accordance with national policies. Similar to other IFAD-supported operations, grievance and supervision arrangements will be put in place to ensure effective implementation and oversight.

The environmental and social impacts and risks identified as being relevant to the project / programme.

Checklist of environmental and social principles	No further assessment required for compliance	Potential impacts and risks – further assessment and management required for compliance
Compliance with the Law	X	
Access and Equity	X	
Marginalized and Vulnerable Groups		The project's target groups and the ecosystems in some project areas, especially those in coastal districts, may face problems resulting from increasing climate variability and hazards (i.e., sea level rise, SWI, storms, long-lasting/heavy rain, and landslide, etc.). The SEDP integrated gender-equitable community-based mangrove forest management planning will address the aforementioned risks, subsequently the co-management framework with the financial incentive mechanisms will promote measures that help tolerate salinity, prevent flood, heavy wave, and wind speed.
Human Rights	X	
Gender Equity and Women's Empowerment	X	
Core Labour Rights		Child labour, forced labour, ethnicity based discrimination, overtime working, and poor working conditions. The project promotes transparent contract arrangement including wages and benefits, hours of work, overtime arrangements and overtime compensation, and leave for illness, maternity, vacation or holiday, that at a minimum comply with national law. This includes respecting a collective bargaining agreement with a workers' organization if there is such an agreement.
Indigenous Peoples		(for Tra Vinh only) Risk of social or economic impacts on the Khmer ethnic group, including threats to or

		the loss of resources of historical or cultural significance. The approach to the Khmer ethnic minority is consistent with IFAD's policy on ethnic minorities. Cultural differences will dictate the approach adopted. Local languages will be used in all village meeting, planning and extension sessions. District teams responsible for implementation will reflect gender balance, and their members will have command of ethnic languages. Capacity building tools will be developed in the languages of the main ethnic groups and take into consideration cultural differences. Special efforts will be made to recruit project extension agents speaking ethnic groups languages and in mobilizing and mentoring students from the ethnic schools.
Involuntary Resettlement	X	
Protection of Natural Habitats	X	
Conservation of Biological Diversity	X	
Climate Change		In-depth climate risks analysis foresee increasing temperature, change in rainfall patterns, storm surge, and increasing risks of sea level rise/salinity intrusion. Risks for investments in livelihood options would be substantial if adaptation measures were not adopted.
Pollution Prevention and Resource Efficiency	X	
Public Health	X	
Physical and Cultural Heritage	X	
Lands and Soil Conservation	X	

PART III: IMPLEMENTATION ARRANGEMENTS

The Ministry of Natural Resource and Environment (MONRE) will own and implement the CM-FIM project. A Project Steering Committee (PSC) will be established at central level with participation of other ministries (MARD) and provincial representatives (PPCs, DONRE, DPI, DARD, etc.) to oversee and provide strategic guidance for project implementation.

A Project Management Unit (PMU) will be created at central level to carry out the day-to-day duties and directly implement the project in the provinces of Tra Vinh and Ben Tre. The PMU will include: (i) MONRE's officials, who are seconded to work full-time in the PMU during the project implementation period and who continue to receive their salaries as public servants; and (ii) contracted staff, who are having mainly technical roles and whose fees and salaries are considered as project investment costs. The PMU will consist of at least the following core staff: a project director (overseeing the project implementation), a procurement officer, an accounting officer, a climate and environmental safeguard specialist, and a policy development specialist.

MONRE's PMU will coordinate closely with the provincial-level PMUs to be established under the upcoming IFAD-funded Climate Smart Agriculture Transformation project (CSAT) in Tra Vinh and Ben Tre provinces. If required, the CM-FIM project will support additional technical specialists who could be housed at CSAT PMUs in the two provinces in order to strengthen CM-FIM field presence and develop closer operational synergies between the AF and IFAD-funded projects. These could include mangrove forest co-management specialists, value chain development and financing specialists, gender and social inclusion specialists, and an M&E and KM specialists among others.

All districts will appoint the District People's Committee (DPC) Chairperson or Vice Chairperson responsible for natural resource management as the District Project Coordinator and a member of the PSC12. The chief of the district natural resource management section will be the Deputy District Project Coordinator with responsibility to oversee project implementation at district level.

MONRE and the provincial governments will provide suitable office accommodation for the respective central PMU and SPMUs.

[12] Within the Government's system, land, water resources, mineral resources, geology, environment, hydrometeorology, climate change, surveying and mapping, management of the islands and the sea are, under the purview of the Ministry of Natural Resources and Environment (MONRE) at central level, and the Department of Natural Resource and Environment (DONRE) at provincial and district levels; while forestry, aquaculture, irrigation and the salt industry are under the purview of the Ministry of Agriculture and Rural Development (MARD) at central level, and the Department of Agriculture and Rural Development (DARD) at provincial and district levels. Since the project is dealing with the issues under the management of both ministries, under the leadership of MONRE, the project will actively and closely engage DONRE and DARD at provincial and district levels in the consultation and implementation process.

Project alignment with Adaptation Fund results framework.

Project Objective(s)[1]	Project Objective Indicator(s)	Fund Outcome	Fund Outcome Indicator	Grant Amount (USD)
Roll out of successful innovative green financial incentive mechanisms for the benefits of actors engaged in coastal wetland management, including local communities	% of farmers with increased access to FIM for wetland management related livelihood improvement	**Outcome 4:** Increased adaptive capacity within relevant development sector services and infrastructure assets	**4.1.** Responsiveness of development sector services to evolving needs from changing and variable climate	
Scale up of viable innovations for sustainable and climate resilient coastal wetlands management	% of farmers replicated and benefited from innovative and remunerative mangrove management	**Outcome 6:** Diversified and strengthened livelihoods and sources of income for vulnerable people in targeted areas	**6.1** Percentage of households and communities having more secure (increased) access to livelihood assets **6.2.** Percentage of targeted population with sustained climate-resilient livelihoods	
Project Outcome(s)	**Project Outcome Indicator(s)**	**Fund Output**	**Fund Output Indicator**	**Grant Amount (USD)**
Climate adaptation mainstreamed into national coastal wetland policies	- At least 2 existing/new regulations, policies or strategies (at central/provincial level) improving coastal wetland management and planning proposed to policy makers for approval, ratification or amendment.	**Output 3:** Targeted population groups participating in adaptation and risk reduction awareness activities	**3.1.1** No. and type of risk reduction actions or strategies introduced at local level	300,000
Capacity in place for adaptive coastal	- The capacity of at least 80% of targeted public and	**Output 6:** Targeted individual and	**6.1.1.** No. and type of adaptation assets (tangible	700,000

[1] The AF utilized OECD/DAC terminology for its results framework. Project proponents may use different terminology but the overall principle should still apply

wetland management	private actors' implementing adaptive approaches to coastal wetland management strengthened	community livelihood strategies strengthened in relation to climate change impacts, including variability	and intangible) created or strengthened in support of individual or community livelihood strategies **6.1.2.** Type of income sources for households generated under climate change scenario.	
Increased community participation in adaptive coastal wetland management	- 70% of HH reported increased decision/influence on coastal wetland management vis a vis local authorities and other decision makers (at least 10% are women-headed HH)	**Output 3:** Targeted population groups participating in adaptation and risk reduction awareness activities	**3.1.1** No. and type of risk reduction actions or strategies introduced at local level	2,000,000
Increasing resilience of rural HH to climate, environment and economic shocks	- At least 4,200 HH (at least 10% female headed) have increased their resilience score by 20% (in accordance with IFAD resilience scorecard)	**Output 4:** Vulnerable physical, natural, and social assets strengthened in response to climate change impacts, including variability	**4.1.1.** No. and type of development sector services modified to respond to new conditions resulting from climate variability and change (by sector and scale)	1,000,000
Improve the evidence base for adaptive coastal wetland management planning	- At least 10 KM products on adaptive coastal wetland management and planning promoted and/or rolled out across the Mekong Delta region of Vietnam for policy impact.	**Output 3:** Targeted population groups participating in adaptation and risk reduction awareness activities **Output 4:** Vulnerable physical, natural, and social assets strengthened in response to climate change impacts,	**3.1.1** No. and type of risk reduction actions or strategies introduced at local level **4.1.1.** No. and type of development sector services modified to respond to new conditions resulting from climate variability and	300,000

		including variability	change (by sector and scale)	

Project budget

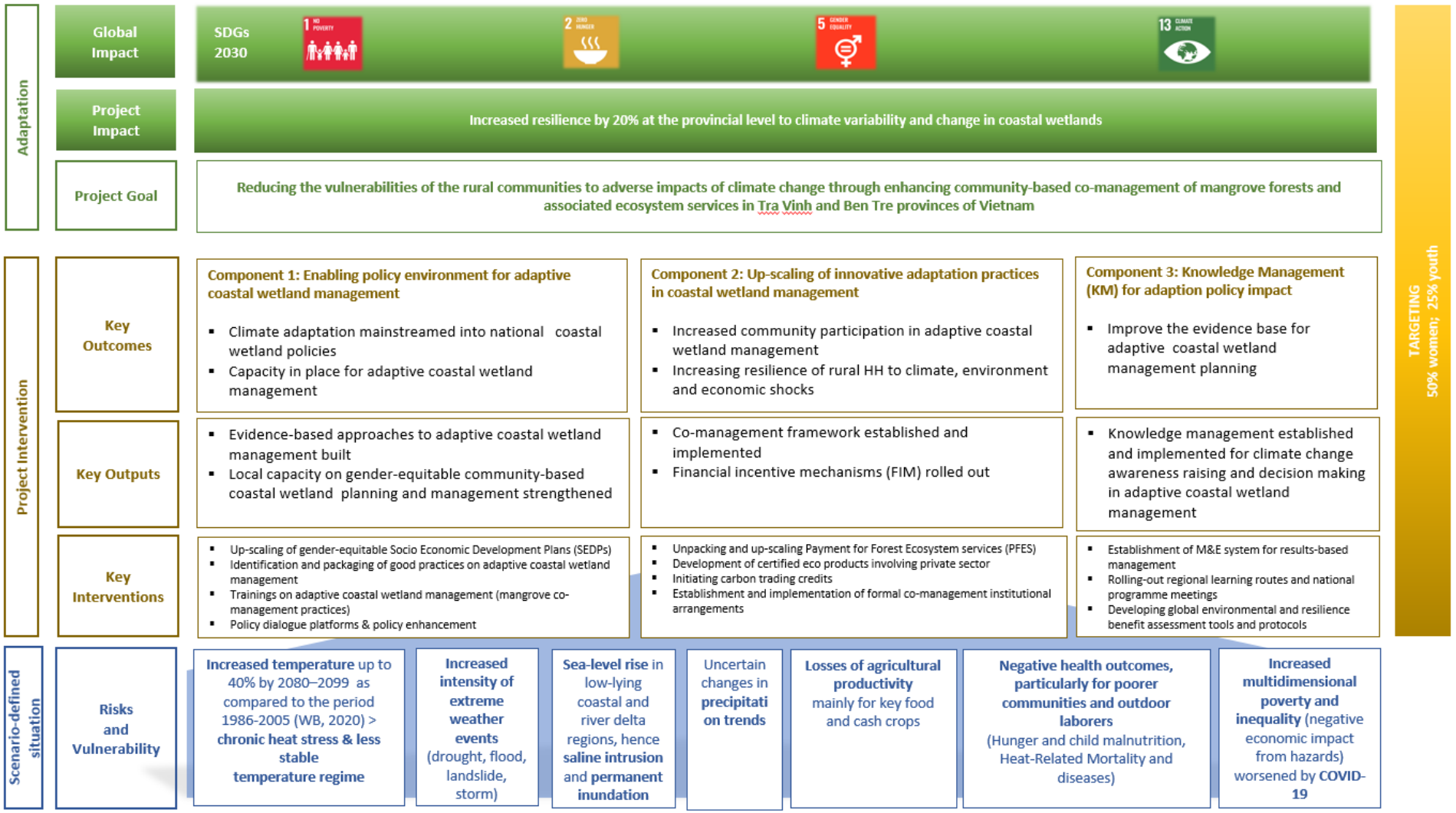
Project Components/activities	AF Fund	IFAD co-financing[2]	GoV Contribution (in kind)	Grant Total (US$)
Component 1: **Enabling policy environment for adaptive coastal wetland management**	**1,000,000**	**1,000,000**	**500,000**	**2,500,000**
Outcome 1.1: Climate adaptation mainstreamed into national coastal wetland policies	300,000	500,000	200,000	1,000,000
Output 1.1.1: Evidence-based approaches to adaptive coastal wetland management built				
Outcome 1.2: Capacity in place for adaptive coastal wetland management	700,000	500,000	300,000	1,500,000
Output 1.2.1: Local capacity on community-based coastal wetland management planning strengthened				
Component 2: **Up-scaling of innovative adaptation practices in coastal wetland management**	**3,000,000**	**2,000,000**	**400,000**	**5,400,000**
Outcome 2.1: Increased community participation in adaptive coastal wetland management	2,000,000	1,000,000	200,000	3,200,000
Output 2.1.1: Co-management framework established and implemented				
Outcome 2.2: Increasing resilience of rural HH to climate, environment and economic shocks	1,000,000	1,000,000	200,000	2,200,000
Output 2.2.1: Financial incentive mechanisms (FIM) rolled out				
Component 3: **Knowledge Management (KM) for adaption policy impact**	**300,000**	**500,000**	**200,000**	**1,000,000**

[2] IFAD co-financing is mobilized thorough the upcoming IFAD loan project to Tra Vinh and Ben Tre provinces – the Climate Smart Agriculture Transformation Project (CSAT)

Outcome 3.1: Improved evidence base for adaptive coastal wetland management planning	300,000	500,000	200,000	300,000
Output 3.1.1: Knowledge management and climate change awareness raising system established and implemented for policy development and decision support for adaptive coastal wetland management	300,000	500,000	200,000	
Project/Programme Execution cost	**332,000**		**600,000**	**932,000**
Project/Programme Cycle Management Fee charged by the Implementing Entity (if applicable)	**368,000**			**368,000**
Amount of Financing Requested	**5,000,000**			
TOTAL COST				**10,200,000**

ANNEX I: PROPOSED PROJECT AREA

ANNEX 2: THEORY OF CHANGE



ART IV: ENDORSEMENT BY GOVERNMENTS AND CERTIFICATION BY THE IMPLEMENTING ENTITY

A. Record of endorsement on behalf of the government[15] *Provide the name and position of the government official and indicate date of endorsement for each country participating in the proposed project / programme. Add more lines as necessary. The endorsement letters should be attached as an annex to the project/programme proposal. Please attach the endorsement letters with this template; add as many participating governments if a regional project/programme:*

Dr Tran Hong Ha, Minister of Natural Resources and Environment, Socialist Republic of Vietnam	Date*: June, 08th, 2021*
(Enter Name, Position, Ministry)	Date*: (Month, day, year)*
(Enter Name, Position, Ministry)	Date*: (Month, day, year)*

B. Implementing Entity certification *Provide the name and signature of the Implementing Entity Coordinator and the date of signature. Provide also the project/programme contact person's name, telephone number and email address*

I certify that this proposal has been prepared in accordance with guidelines provided by the Adaptation Fund Board, and prevailing National Development and Adaptation Plans and subject to the approval by the Adaptation Fund Board, commit to implementing the project/programme in compliance with the Environmental and Social Policy of the Adaptation Fund and on the understanding that the Implementing Entity will be fully (legally and financially) responsible for the implementation of this project/programme.	
Jyotsna Puri Director, Environment, Climate, Nutrition, Gender and Social Inclusion Division, IFAD **Implementing Entity Coordinator**	
Date: *08-09-2021*	Tel. and email: +393316235485 - j.puri@ifad.org
Project Contact Person: Kisa Mfalila, Regional Climate and Environment Specialist, Asia and the Pacific, IFAD	
Tel. And Email: +27 60-760-3374 - k.mfalila@ifad.org	

6. Each Party shall designate and communicate to the secretariat the authority that will endorse on behalf of the national government the projects and programmes proposed by the implementing entities.

ADAPTATION FUND

Letter of Endorsement by Government

SOCIALIST REPUBLIC OF VIET NAM
MINISTRY OF NATURAL RESOURCES AND ENVIRONMENT

Hanoi, 8th June 2021

To: The Adaptation Fund Board
c/o Adaptation Fund Board Secretariat
Email: Secretariat@Adaptation-Fund.org
Fax: 202 522 3240/5

Subject: Endorsement for "Promoting Financial Incentive Mechanisms for Community-based sustainable coastal wetland Management in Vietnam"

In my capacity as designated authority for the Adaptation Fund in the Socialist Republic of Vietnam, I confirm that the above project proposal is in accordance with the government's priorities in implementing adaptation activities to reduce adverse impacts of, and risks, posed by climate change in the the Socialist Republic of Vietnam (Mekong Delta).

Accordingly, I am pleased to endorse the above project proposal with support from the Adaptation Fund. If approved, the project will be implemented by International Fund for Agricultural Development (IFAD) and executed by Ministry of Natural Resources and Environment of Vietnam.

Yours sincerely,

Dr. Tran Hong Ha
Minister of Natural Resources and Environment
Socialist Republic of Vietnam

Address: 10 Ton That Thuyet street, South Tu Liem district, Ha Noi, Viet Nam
Tel: +84 4 37956868, Fax: +84 4 38359221, E-mail: icd-monre@monre.gov.vn, Website: http://www.monre.gov.vn