



Progress Report on Tranche Release

Project Number: 32285
Loan Number: 1972
November 2007

Socialist Republic of Viet Nam: Agriculture Sector Development Program

CURRENCY EQUIVALENTS

(as of 30 September 2007)

Currency Unit	–	dong (D)
D1,000	=	\$0.0622
\$1.00	=	\$16,086

ABBREVIATIONS

ADB	–	Asian Development Bank
AMIS	–	agricultural market information system
ASDP	–	Agriculture Sector Development Program
CPRGS	–	Comprehensive Poverty Reduction and Growth Strategy
ISC	–	Informatics Statistics Center
MARD	–	Ministry of Agriculture and Rural Development
NAEC	–	National Agricultural Extension Center
NGO	–	nongovernment organization
PEAC	–	provincial extension advisory councils
SDR	–	special drawing rights
SMS	–	subject matter specialists
STO	–	Science Technological Organization
TA	–	technical assistance
TOT	–	training of trainers
VAAS	–	Vietnam Academy of Agricultural Sciences
VASI	–	Vietnam Agriculture Science Institute
VBARD	–	Vietnam Bank for Agriculture and Rural Development

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. The Asian Development Bank (ADB) approved loans 1972/1973: Agriculture Sector Development Program (ASDP) on 16 December 2002 for a total amount of SDR67.3 million (\$99.7 million equivalent at the current exchange rate).¹ Loan agreements were signed on 22 April 2003, and the loan was declared effective on 27 October 2003. The Government of Viet Nam fulfilled the conditions for release of the first and second tranche of the program loan, and the second tranche was released in December 2005.²

II. BACKGROUND

2. Viet Nam experienced rapid growth in agricultural production and exports during the late 1990s, averaging an annual growth rate of more than 4%. The country has become the second largest exporter of rice, and is also among major exporters of coffee, pepper, tea, and rubber in the region. Considering this rapid sector growth, the Ministry of Agriculture and Rural Development (MARD) formulated a strategy for 2001–2010, which focused on (i) increased agricultural intensification, (ii) diversification into high-value crops and new markets, (iii) promotion of agro-based industries and employment, and (iv) poverty reduction efforts targeting remote and upland areas. In particular, the need for advanced agricultural science and technology and pro-poor agricultural extension services was highlighted to implement this long-term strategy.

3. In May 2002, the Government prepared a Comprehensive Poverty Reduction and Growth Strategy (CPRGS), which proposed specific measures for poverty reduction. Since the large majority of the rural population is directly or indirectly engaged in the agriculture sector, agriculture and rural development are considered essential for poverty reduction in the country. The CPRGS aims to increase rural income by promoting effective agricultural commercialization and diversification, and strengthen support for vulnerable and disadvantaged groups of people in upland and remote areas.

4. In line with the strategy articulated by MARD, and reinforced by the CPRGS, the Government formulated policy and institutional reform measures for the ASDP loan through a series of dialogues with ADB as stated in the Government's development policy letter of November 2002. ASDP's objective is to contribute to increased agricultural productivity and competitiveness by restructuring agricultural research and extension, improving market information services, and encouraging agro-industry development. The ASDP also aims to facilitate the Government's shift in its agricultural policy from increased volume of production to increased product value and rural income.

III. PROGRESS IN PROGRAM IMPLEMENTATION

A. Overall Progress

5. The ASDP loan has a total of 39 conditions in two policy areas: (i) strengthening agricultural science and technology, and (ii) promoting agro-industry development. The 39

¹ Loan 1972 is the ASDP program loan, amounting to SDR44.9 million, and Loan 1973 is the ASDP project loan, amounting to SDR22.4 million. ADB. 2002. *Report and Recommendation of the President to the Board of Directors on Proposed Loans to the Socialist Republic of Viet Nam for the Agriculture Sector Development Program*. Manila (Loans 1972/1973–VIE[SF]).

² ADB. 2005. *Loan 1972-VIE: Agriculture Sector Development Program Progress Report: Release of Second Tranche*. Manila (October).

tranche conditions are expected to be fulfilled before the release of the three tranches. The matrix summarizing current progress in program implementation for conditions for the third tranche release is in the Appendix. The release of the third tranche of the program loan was originally expected in December 2006 or 18 months after the second tranche release. However, the delay in the Government's approval of the implementation of the reorganization of agricultural research institutes affected the schedule for the second tranche release. Of the 39 conditions, 11 conditions for the first tranche were fulfilled for a disbursement of SDR 14.97 million, and subsequently 13 conditions for the second tranche were met for a disbursement of SDR14.96 million. The remaining 15 conditions for the release of the last and final tranche, amounting to SDR14.96 million, are as follows:

- (i) The reorganization, consolidation, and restructuring of the agricultural research institutes shall have been completed in accordance with the agricultural research reorganization plan (that was prepared as a condition for the release of the First Tranche and the implementation of which was commenced as condition for the release of the Second Tranche). All staff affected shall have been reassigned to other agencies of the Borrower, or provided a severance package consistent with the Borrower's Resolution No. 16/2000/NQ-CP, dated 18 October 2000.
- (ii) MARD shall have implemented staff standards and performance-based evaluation.
- (iii) The research institutes shall have commenced operations as autonomous organizations.
- (iv) The Borrower shall have continued to increase the budget for agricultural research and extension in fiscal year 2005 by at least 12% over the previous year's budget allocation.
- (v) Provincial extension advisory councils (PEAC) will have been established in about 20 more provinces.
- (vi) The participatory extension approach shall have been implemented in at least 40 communes in 40 districts in at least 10 provinces.
- (vii) Local authorities shall have hired about 1,000 new extension staff to fill vacancies at the commune level, at least 10% of whom will be women and 10% from ethnic minorities.
- (viii) About 1,000 staff shall have been provided training in various fields, including participatory extension methodology, marketing, postharvest activities, and rural finance.
- (ix) Multiple extension services shall be operating in at least 10 provinces.
- (x) A national extension centre (NEC) shall have been established and become operational.
- (xi) Teams of subject matter specialists shall have been established in at least 10 provinces.
- (xii) MARD and the provincial governments shall have expanded the agricultural market information system to cover an additional 50 districts within 10 provinces (i.e., in addition to those districts and provinces where the system was established as a condition for release of the second tranche).
- (xiii) MARD shall have terminated subsidies for the commercial production of hybrid rice seeds, and shall have used those funds for the transfer of hybrid rice seed technology through extension activities.
- (xiv) The Borrower shall have provided financial support to VBARD for VBARD to forgive eligible nonperforming loans identified as of 31 December 2000, in accordance with the Prime Minister's Decision No. 149 of 5 October 2001 on nonperforming loan resolution for state-owned commercial banks.

- (xv) The Borrower shall have increased VBARD's legal capital to no less than D1.92 trillion.

B. Strengthening Science and Technology

1. Agricultural Research

6. Under the Project, the Government is committed to carrying out critical reform measures to improve agricultural research activities by (i) rationalizing overlapping mandates among a large number of research institutes of MARD, (ii) ensuring efficient and effective use of scarce financial and human resources in the national agricultural research system, (iii) strengthening managerial capacity within the system, and (iv) reorganizing the institutes that have been concentrated in the two large delta regions (Red River and Mekong River deltas) for increased relevance of research activities to other agro-ecological regions.

7. The Government is required to complete the reorganization, consolidation, and restructuring of the agricultural research institutes before the release of the third tranche of the program loan in accordance with the agricultural research reorganization plan, including necessary reassignment of all affected staff to other agencies of the Government or provision of compensation packages for separated staff. In September 2005, the Government approved a detailed implementation plan (Prime Minister Decision Nos. 930/QD-TTg and 220/QD-TTg) to reduce the number of MARD research institutes from 24 to 12 in 2005 (phase 1), and from 12 to 6 in 2008 (phase 2). In September 2005, the Viet Nam Academy of Agricultural Sciences (VAAS) was created through a merger of 10 institutes. Subsequently, MARD issued a series of decisions to facilitate reorganization, thereby reducing the number of institutes to 12 and completing phase 1. ADB technical assistance (TA) 4619³ provided MARD and the relevant research institutes with necessary technical and advisory support to formulate operational and financial mechanisms required to complete the reorganization of the institutes according to the plan. An extensive time-bound plan was prepared to further consolidate the institutes into six by 2008.

8. The geographic distribution of public research resources has been realigned in line with the commitment made under the ASDP. As a result, MARD has reallocated research staff from the specialized to the regional research institutes to strengthen the capacity for research across the agro-ecological zones of the country. The total staff of 373 of the former Viet Nam Agriculture Science Institute (VASI) was reassigned to regional research institutes as follows: Food Crop Research Institute (175), Northern Mountainous Agro-forestry Science Institute (55), North Central Region Agriculture Science Institute (95), and South Central Coastal Region Agriculture Science Institute (48). Staff seeking separation from the service received a severance package in line with Resolution No. 16/2000/NQ-CP of 18 October 2000 on the streamlining of Administrative Agencies and Non-business Units and Resolution No. 09/2003/NQ-CP of 28 July 2003 amending and supplementing Government Resolution No. 16/2000/NQ-CP. This fulfilled condition (i) for the third tranche release.

9. The performance of agricultural research activities depends highly on the relevance of the personnel management system to enhance staff performance. The ADB TA project for

³ ADB. 2005. *Technical Assistance to the Socialist Republic of Viet Nam for Strengthening Agriculture Science and Technology Management (Financed by the Government of Japan)*. Manila.

supporting sector development,⁴ which was completed on 31 December 2005, assisted MARD in formulating a new system for staff standards and performance-based evaluation. Prior to its institutionalization across the research system, the enhanced system was applied to the National Institute for Animal Husbandry on a pilot basis. This exercise enabled the Department of Organization and Personnel to develop a methodology for assessing and evaluating staff performance. To incorporate views from the principal stakeholders, the methodology was presented at a workshop in May 2007. It has since been issued for implementation to all MARD-managed research institutions, which are now responsible for applying the methodology to implement performance-based staff evaluation systems and procedures. This fulfills condition (ii) for the third tranche release.

10. The Government issued Decree No. 115 in September 2005 to enable the science and technology institutions to carry out client-oriented and high-quality research activities with enhanced operational efficiency. On 5 June 2006, Inter-Ministerial Circular No. 12 was issued to guide implementation of the Decree, requiring the science and technology institutions to facilitate actions for their managerial and financial autonomy.

11. The Department of Organization and Personnel and the Department of Science and Technology of MARD prepared an appropriate legal and regulatory framework that will enable its research institutes to become autonomous entities with the use of competitive funds for their research activities. Decree 115 sets forth a transition period from 2006 until full autonomy is achieved in 2010. MARD has requested the research institutes to prepare plans to implement Decree 115 according to Inter-Ministerial Circular no. 12. In September 2006, MARD established a steering committee, chaired by the Vice-Minister, to guide institutes to have their assets valued and finalize transformation. The Government has provided a comprehensive time-bound plan to transform the institutions into autonomous organizations and is firmly committed to complete this process, which is complex and time-consuming. Because steps are being taken to consolidate and complete this process under an approved time-bound plan, it is considered that policy condition (iii) has been substantially complied with.

12. In April 2007, the Ministry of Science and Technology (MOST) issued the criteria for classifying science and technology organizations (basic research, strategy research, and policy research serving state administration). Decree 115 covers all science and technology organizations (STO) and although MARD now has only 11 research institutes under it, it is responsible for managing 93 STOs, all of which have submitted applications for financial autonomy. As of July 2006, eight research organizations received autonomous status. As of August 2007, 84 proposals for the start of autonomous operations of STOs have been appraised, and 8 of them have been approved by MARD. The appraisal and approval of the remaining proposals are being expedited and MARD will submit to MOST a consolidated report on the implementation of Decree 115 by the end of 2007.

13. For 2005, the budget for agricultural research and agricultural extension increased by 12.5% (D262.66 billion against D233.47 billion) and 13.5% (D308.55 billion against D271.85 billion), respectively, over the 2004 budgets. The Government has since maintained its commitment to enhance resources for agricultural research at the rate of 12% per annum. This fulfills one condition for the release of the third tranche (condition [iv]).

⁴ ADB. 2003. *Technical Assistance to the Socialist Republic of Viet Nam for Agriculture Sector Development Support (Financed by the Government of Denmark)*. Manila (TA 4105-VIE).

2. Agricultural Extension

14. Prior to the first tranche release, MARD issued a ministerial circular to its provincial departments to assist in forming an advisory council for improved agricultural extension services. This promoted the involvement of a wide range of local stakeholders in agricultural extension services. On 17 December 2004, MARD prepared and approved operational guidelines for the council's activities. These were used to establish advisory councils in 20 provinces selected in different agro-ecological regions of the country. MARD selected an additional 20 provinces where the respective agricultural extension advisory councils would be established with the participation of government and nongovernment members. The provinces are listed in the Appendix. The establishment of additional advisory councils in 20 more provinces by December 2006 fulfills condition (v) for the third tranche release. The council members include representatives of farmers' associations and cooperatives, women's unions, regional research institutes, provincial agriculture extension centers, nongovernment organizations (NGO), and private traders.

15. In Viet Nam, provincial extension centers and nongovernment extension service providers have already adopted a participatory extension approach by involving local stakeholders in planning and implementing extension services. Under this approach, the work programs for agricultural extension services need to be prepared based on the needs of local communities. To disseminate this approach in other provinces, MARD established the criteria for selecting 10 provinces. The criteria included the existence of PEACs, appropriate regional distribution, availability of local NGOs, and availability of district and commune extension staff. The National Agricultural Extension Center (NAEC) of MARD guided the provinces in selecting four suitable districts and a commune in each selected district to implement the participatory approach in 40 communes in 40 districts. The provinces are listed in the matrix in the Appendix. MARD, through NAEC, with the assistance of TA 4619 developed broad implementation guidelines for the participatory extension approach. Subsequently, training of trainers (TOT) was conducted for the relevant district and commune extension staff in 2007. This completes condition (vi) for the third tranche release.

16. In accordance with the joint extension plans approved by MARD, the Government provided necessary funds to provinces with PEACs to recruit about 6,000 commune extension workers during 2006–2007. The provinces will finance the allowances of these commune-level workers from their own resources after the ASDP is completed. The total budget for recruiting 6,000 extension workers in 40 provinces is D10.8 billion for 2006 and D21.6 billion for 2007. The recruitment, by the beginning of June 2007, of 6,660 new commune extension workers in 40 provinces, including women (23.74%) and ethnic minorities (34.73%), fulfills condition (vii).

17. Under the ASDP, the Government provides the agricultural extension staff at various levels with technical training on the participatory extension methodology, marketing, post-harvest activities, and rural finance. In 2006, the Government allocated to MARD D9.2 billion to support the training budget. In addition, in 2006 and early 2007, NAEC of MARD conducted TOT programs. About 135 trainees at the central level were trained. NAEC also provided funds for 40 provinces to organize provincial TOT programs. Until the beginning of June 2007, eight provinces had completed their provincial TOT programs where 1,101 trainees received training. The training of 1,236 extension staff, under the ASDP in both central and provincial TOT programs, fulfilled condition (viii) for the third tranche release. The remaining 32 provinces are continuing to organize provincial TOT programs aiming to train 2,000 more staff in 2007.

18. The ASDP aims to expand the outreach of agricultural extension services particularly in upland and remote areas and make the services more effective at commune and village levels. In this context, the Government intends to promote multiple agricultural extension services where competent service providers from organizations other than extension centers of the Government can be engaged for delivery of extension services through contractual or cost-sharing arrangements. In September 2003, MARD requested all provincial people's committees to start providing agricultural extension services through contracts with local partners such as mass organizations, research institutes, universities, NGOs, and cooperatives, which are not engaged in full-time public extension services. This request was made based on the common understanding about multiple extension services, meaning that these local partners are delivering agricultural extension services through contractual or other appropriate arrangements. MARD conducted a monitoring survey in 2006 in 20 provinces, where provincial advisory councils were established. According to the responses, all 20 provinces had contractual arrangements with local partners to plan and implement part or all of the extension services. Twelve provinces are carrying out joint extension services with their local partners, including NGOs. This fulfilled condition (ix) for the third tranche release.

19. In July 2003, the Government reorganized the functions and organizational structure of MARD through Decree No. 86, rationalizing the mandates of some research institutes of MARD for fundamental research activities. Through the same decree, the Government approved the reorganization of the former Department of Agriculture and Forestry Extension, and separated the department into two agencies within MARD: the Department of Agriculture being responsible for matters on general agriculture, and agricultural inputs and outputs; and NAEC being solely responsible for delivering agricultural extension services and related administrative matters. At present, NAEC supervises about 3,200 specialized staff members at the central, provincial, and district levels. In addition, there are part-time contractual workers, including about 7,500 commune-level extension workers in 10,500 communes and more than 100,000 village-level assistants. On average, there is one specialized extension staff for 3,650 farm households in the country, and one part-time extension worker per 1,550 farm households. The creation and operation of NAEC fulfilled condition (x) for the third tranche release.

20. In October 2005, MARD approved the operational guidelines for the provincial teams of subject matter specialists (SMS) and circulated the guidelines to the 20 provinces where PEACs had been established. The SMS teams are placed directly under PEACs in the selected provinces where qualified specialists are available from appropriate research institutes or universities. MARD made the SMS teams operational first in Yen Bai and Thua Thien Hue provinces on a pilot basis, and expanded these activities in eight other provinces. SMS teams are now established and operational in Yen Bai, Thua Thien Hue, Hoa Binh, Hai Duong, Bac Ninh, Ha Tay, Thanh Hoa, Nghe An, Tien Giang, and Dak Lak. This fulfills condition (xi) for the third tranche release.

C. Promoting Agro-Industry Development

21. In September 2003, MARD approved a plan and work schedule of the Information Statistics Center (ISC) of MARD to establish an agricultural market information system (AMIS), which effectively links ISC and provincial and district administrations. This forms the basis for forecasting information on domestic and international commodity markets. To provide adequate funds for the plan, the Government allocated about D10.5 billion in 2006 and D16.6 billion in 2007 from the ASDP counterpart funds. The installation of the AMIS equipment is completed in 100 districts in 20 provinces. This activity fulfills an outstanding condition for the second tranche

release (installation of AMIS in 50 districts in 10 provinces) and condition (xii) for the third tranche release (installation of AMIS in an additional 50 districts in 10 provinces).

22. In June 2003, MARD issued a letter to four provinces to terminate the provision of subsidies for the commercial production of hybrid seeds since direct provision for such subsidies was no longer required and would disrupt fair competition in the market. In August 2003, MARD also issued a similar letter to another 18 provinces to limit hybrid rice seed subsidies to poor and disadvantaged farmers only and gradually phase out the subsidies. In response to a letter issued by MARD in October 2006, the provinces reported that they only have special initiatives for targeting subsidy to farmers in remote areas to facilitate procurement of hybrid rice or maize seeds. The cost associated with these subsidies is borne by the Committee for Ethnic Minorities, thereby fulfilling condition (xiii) for the release of the third tranche.

23. Under the ASDP, the Government will provide financial support to the Viet Nam Bank for Agriculture and Rural Development (VBARD) to resolve eligible nonperforming loans identified as of 31 December 2000 in accordance with the Prime Minister's Decision on 5 October 2001. According to the official statement of VBARD, the total amount of the resolved nonperforming loans was D5.34 trillion as of 31 December 2005, of which D2.40 trillion was financed by the Government, D1.34 trillion with VBARD's loan loss provisions, and D1.60 trillion recovered from the borrowers. In 2006, D6.8 billion was resolved. The remaining amount is D31.5 billion or less than 1% of the total amount of nonperforming loans. This fulfills condition (xiv) for the third tranche release.

24. The Government's strategy for the agriculture sector and rural poverty reduction includes active support for small- and medium-scale enterprises. Under the ASDP, the Government aims to increase the allocation of credit for small- and medium-scale enterprises through VBARD, and strengthen the capital base of VBARD by increasing its legal capital. Since the inception of ASDP implementation, the Government had rapidly increased VBARD's capital base to D5.4 trillion (\$340.1 million) by the end of 2003 and to D6.2 trillion (\$390.5 million) by the end of 2004. This increase fulfilled condition (xv) for the third tranche release.

25. Prior to the second tranche release in December 2005, the Government had completed the phaseout of the sale of certified seeds by agricultural research institutes. This condition was substantially complied with—five research institutes substantially reduced the sale of certified seeds representing only a marginal share in the seed market. Of the five, the Cuu Long Rice Research institute has committed that sale of certified rice seed will be completely phased out in 2008. The Food Crop Research Institute has confirmed that sale of certified rice seed will be discontinued in 2008. The productions levels in other institutions, primarily responsible for maize seed production, including that of the Agricultural Science Institute for Southern Coastal Central of Vietnam (20 metric tons of maize seed) are insignificant in the maize seed market. The program to phase out the sale of certified seed has proceeded on schedule and is substantially complete. The remaining activities of the research institutions pertaining to sale of certified seed are being satisfactorily phased out and systematically monitored by MARD.

IV. CONCLUSION

26. Despite an initial delay in loan effectiveness, the Government has implemented important policy and institutional reform measures agreed upon under the ASDP, and made significant progress in fulfilling the conditions for the third tranche release. Major reforms have been implemented in the research and extension system to facilitate effective agriculturally

oriented services. Investments in responsive research, extension, and market information systems have been made to raise the competitiveness of the agriculture sector. The role of the public sector research institutions continues to be consolidated to further stimulate agricultural diversification and enhance regional specialization. Fourteen of the policy conditions have been fully met. The Government is firmly committed to complete the remaining policy condition, which relates to the corresponding financial autonomy for the entire network of research organizations within MARD. Substantial progress has been made in taking this process forward, and the remaining actions are being pursued through a time-bound plan facilitated by a high-level steering committee, chaired by a Vice Minister at MARD.

V. THE PRESIDENT'S DECISION

27. Under the ASDP, the Government has made significant progress in introducing effective reform measures and improved the policy environment for stimulating agricultural diversification. In view of the overall ASDP progress, including compliance with¹⁴ of the policy conditions and the commitment made to complete the remaining policy condition, the President will authorize the release of the third tranche of the program loan, amounting to SDR14.958 million, from Special Funds resources, to take effect not less than 10 working days after the circulation of this progress report to ADB's Board of Directors.

PROGRESS OF PROGRAM IMPLEMENTATION

Measures Prior to the Third Tranche Release	Status of Implementation
<p>A. Strengthening Science and Technology 1. Agricultural Research</p> <p>a. The reorganization, consolidation, and restructuring of the agricultural research institutes shall have been completed in accordance with the agricultural research reorganization plan. All staff affected shall have been reassigned to other agencies of the Borrower, or provided a severance package consistent with the Borrower's Resolution No. 16/2000/NQ-CP, dated 18 October 2000.</p>	<p>Complied with. The Government approved the reorganization plan on 9 September 2005. The plan calls for reducing the number of institutes to 12 in 2005, and then to 6 consolidated institutes by 2008.</p> <p>The establishment of the Viet Nam Academy of Agricultural Science (VAAS), which merged 10 institutes and centers, reduced the number of research institutes to 12 in 2005. The reorganization of VAAS started in December 2005 and was completed in March 2006.</p> <p>The 12 institutes are VAAS, Viet Nam Academy of Forestry Science, Viet Nam Academy of Water Resource Science, Institute of Agricultural Policies and Rural Agriculture Development Strategy, National Institute of Animal Husbandry, National Institute of Veterinary Research, Viet Nam Institute of Agricultural Engineering and Post-Harvest Technology, Southern Institute of Water Resources Research, Institute of Agricultural Science of South Viet Nam, Cuu Long Delta Rice Research Institute, Southern Fruit Research Institute, and Western Highlands Agro-Forestry Sciences and Technology Institute.</p> <p>Ongoing activities are being undertaken by the Government to further consolidate the institutes into six by the first half of 2008 with two water research institutes already merged following Prime Minister Decision No. 594/QD-TTg dated 10 May 2007. The decision to merge an agro-forestry institute with VAAS is expected in late 2007. Two animal research institutes currently preparing the merger proposal will be merged by early 2008. The remaining three agricultural research institutes in the south will be merged with VAAS.</p> <p>Former Viet Nam Agriculture Science Institute (VASI) staff (373 in total) have been reassigned to strengthen the regional research institutes under VAAS, namely: Food Crop Research Institute (175), Northern Mountainous Agro-forestry Science Institute (55), North Central Region Agriculture Science Institute (95), and South Central Coastal Region Agriculture Science Institute (48).</p> <p>Ten staff from the former VASI voluntarily left</p>

Measures Prior to the Third Tranche Release	Status of Implementation
	employment as they did not want to move to other member institutions located far from their residences. All 10 benefited from the severance allowances for redundancies under Government Resolution No. 16/2000/NQ-CP of October 18, 2000 on the streamlining of administrative Agencies and Non-business Units, and Resolution No. 09/2003/NQ-CP of 28 July 2003, amending and supplementing Government Resolution No. 16/2000/NQ-CP.
b. The Ministry of Agriculture and Rural Development (MARD) shall have implemented the staff standards and performance-based evaluation.	Complied with. The Department of Organization and Personnel has, with the assistance of TA 4619 ¹ and based on the experience from TA 4105, ² created a methodology for a simplified format for assessing and evaluating staff performance. The new system was applied to the National Institute for Animal Husbandry on a pilot basis. The methodology was presented at a MARD workshop on 15 May 2007 and has been issued to research institutes for implementation. MARD has explained its advisory role in relation to the implementation of the staff standards and performance-based evaluation.
c. The research institutes shall have commenced operations as autonomous organizations.	<p>Substantially complied with. The framework for autonomy in operations of MARD research institutes is in accordance with Decree No. 115, issued in September 2005.</p> <p>The Decree sets forth a transition period (2006–2009) leading to full operational autonomy. The Institute of Policy and Strategy for Agricultural and Rural Development commenced autonomous operations on 1 July 2007. The Government is continuously assisting organizations in undertaking necessary steps toward autonomous operation, targeting eight institutes by 1 January 2008 and the remaining two institutes by 1 January 2010.</p> <p>Eight institutes have received autonomous status as of July 2007, namely, Institute of Policy & Strategy for Agricultural and Rural Development (IPSARD), Southern Office of IPSARD, Rural Development Center, Information Center for Agriculture and Rural Development, Center for Agricultural Policy, Thuy Phuong Poultry Research Center, Institute of Veterinary Research and Development of Central Viet Nam, and Maize Research Institute.</p>

¹ ADB. Technical Assistance to Viet Nam for Strengthening Agriculture Science and Technology Management. Manila. (TA No. 4619, approved on 19 July 2005, for \$700,000).

² ADB. Technical Assistance to Viet Nam for Agriculture Sector Development Support. Manila. (TA No. 4105, approved on 2 May 2003, for \$600,000).

Measures Prior to the Third Tranche Release	Status of Implementation
	MARD established a steering committee, which continues to guide the institutes in finalizing transformation proposals and appraisal of assets.
d. The Borrower shall have continued to increase the budget for agricultural research and extension in fiscal year 2005 by at least 12% over the previous year's budget allocation.	Complied with. For 2005, the budget for agricultural research and agricultural extension increased by 12.5% (D262.66 billion against D233.47 billion) and 13.5% (D308.55 billion against D271.85 billion) over the 2004 budgets.
<p>2. Agricultural Extension</p> <p>a. Provincial extension advisory councils will have been established in about 20 more provinces.</p> <p>b. The participatory extension approach shall have been implemented in at least 40 communes in 40 districts in at least 10 provinces.</p>	<p>Complied with. In accordance with MARD's approved operational guidelines for the advisory councils, provincial extension advisory councils were established in 20 provinces selected from different agro-ecological regions namely:</p> <ul style="list-style-type: none"> • North West: Dien Bien, Lai Chau • Northern Upland: Bak Kan. • Central Northern Mountains: Lao Cai, Yen Bai. • Red River Delta: Bac Ninh, Hai Duong, Nam Dinh • North Central Coast: Thanh Hoa, Quang Tri, Thua Thien-Hue. • Southern Central Coastal: Quang Ngai, Binh Thuan, • Central Region: Dak Nong, Dak Lak, Kon Tum • South East: Binh Phuoc • Mekong Delta Region: Ben Tre, Tra Vinh • Southern Lowland Region: Ca Mau <p>Complied with. The National Agricultural Extension Center (NAEC) of MARD guided 10 provinces to select 4 suitable districts and a commune in each of the selected districts. Forty communes in 40 districts are implementing the participatory approach in Lai Chau, Lạng Sơn, Lao Cai, Cao Bang, Nghe An, Quang Nam, Phu Yen, Long An, Soc Trang, and Kien Giang provinces.</p>
c. Local authorities shall have hired about 1,000 new extension staff to fill vacancies at the commune level, at least 10% of whom will be women and 10% from ethnic minorities.	Complied with. The budget for the recruitment of 6,000 extension workers is D10.8 billion (for 2006) and \$21.6 billion (for 2007). By the beginning of June 2007, 6,660 new commune extension workers had been hired, including women (23.74%) and those from ethnic minority groups (34.73%).

Measures Prior to the Third Tranche Release	Status of Implementation
d. About 1,000 staff shall have been provided training in various fields, including participatory extension methodology, marketing, postharvest activities, and rural finance.	Complied with. In 2006, the Government allocated to MARD D9.2 billion from the Agriculture Sector Development Program (ASDP) budget, which includes a training budget. In early June, a total of 1,236 extension staff (central and provincial levels) participated in the training of trainers (TOT) program in 8 provinces. The 32 remaining provinces are continuing to organize provincial TOT programs to train an additional 2,000 staff in 2007.
e. Multiple extension services shall be operating in at least 10 provinces. f. A national extension center (NEC) shall have been established and become operational. g. Teams of subject matter specialists (SMS) shall have been established in at least 10 provinces.	Complied with. A monitoring survey in 20 provinces, where provincial councils were established, showed that 12 provinces are carrying out joint extension services with their local partners, including nongovernment organizations (NGOs). The provinces are Ha Giang, Lao Cai, Phu Tho, Bac Ninh, Ha Tay, Hai Duong, Nghe An, Thua Thien Hue, Ninh Thuan, Dak Lac, Long An, and Ben Tre. Complied with. NAEC was established and became operation in 2003. It monitors agricultural extension activities in the provinces and provides the provincial, district, and commune staff with technical guidance and backup. Complied with. SMS teams were established in Yen Bai, Thua Thien-Hue, Hoa Binh, Hai Duong, Bac Ninh, Ha Tay, Thanh Hoa, Nghe An, Tien Giang, Dak Lak.
B. Promoting Agro-industry Development 1. MARD and the provincial governments shall have expanded the agricultural market information system (AMIS) to cover an additional 50 districts in 10 provinces (i.e., in addition to those districts and provinces where the system was established as a condition for release of the second tranche).	Complied with. Based on MARD's approved feasibility study, 20 provinces were selected (10 in the first stage and another 10 in the second stage) to strengthen the AMIS established at MARD. The Government has (i) approved the design and estimated cost for setting up the AMIS in 100 districts in 20 provinces, and (ii) allocated additional funds of D10.5 billion in 2006 and D16.6 billion in 2007 from the ASDP budget and will continue this fund allocation in 2008. Provincial project management units (PPMUs) have been established in Giang, Bac Giang, Binh Dinh, Binh Phuoc, Ca Mau, Can Tho, Dak Lak, Ha Tay, Ha Tinh, Hanoi, Ho Chi Minh, Hung Yen, Lam Dong, Lao Cai, Ninh Thuan, Son La, Tay Ninh, Thai Nguyen, Vinh Long, Vinh Phuc. The PPMUs have received equipment and software system for installation. The installation of the AMIS equipment is now complete in 100 districts in 20 provinces, fulfilling an outstanding condition for the second tranche release (installation

Measures Prior to the Third Tranche Release	Status of Implementation
	of AMIS in 50 districts in 10 provinces) and this condition (installation of AMIS in an additional 50 districts in 10 provinces).
2. MARD shall have terminated subsidies for the commercial production of hybrid rice seeds, and shall have used those funds for the transfer of hybrid rice seed technology through extension activities.	Complied with. MARD no longer provides subsidies for hybrid seed production. Some provinces have regulations for subsidizing farmers in remote areas to purchase hybrid rice or maize seeds. The subsidies are usually provided by committees for ethnic minorities. Extension activities are being reoriented to develop a demonstration model for F ₁ hybrid rice seed production technology and transfer.
3. The Borrower shall have provided financial support to the Vietnam Bank for Agriculture and Rural Development (VBARD) for VBARD to forgive eligible nonperforming loans identified as of 31 December 2000, in accordance with the Prime Minister's Decision No. 149 of 5 October 2001 on nonperforming loan resolution for state-owned commercial banks. 4. The Borrower shall have increased VBARD's legal capital to no less than D1.92 trillion.	Complied with. With reference to the official statement of VBARD, the total amount of the resolved nonperforming loans was D5.34 trillion as of 31 December 2005, of which D2.40 trillion was financed by the Government, D1.34 trillion with VBARD's loan loss provisions, and D1.60 trillion recovered from the borrowers. In 2006, D6.8 billion was resolved. The remaining amount is D31.5 billion, or less than 1% of the total amount of the nonperforming loans. Complied with. The Government had rapidly increased VBARD's legal capital to D5.4 trillion (\$340.1 million) by the end of 2003 and to D6.2 trillion (\$390.5 million) by the end of 2004.