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PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 66.2 MILLION  
(US\$100 MILLION EQUIVALENT)

TO THE

SOCIALIST REPUBLIC OF VIETNAM

FOR A

PROJECT PREPARATION TA FACILITY PROJECT

May 24, 2010

Vietnam Sustainable Development Unit  
Sustainable Development Department  
East Asia and Pacific Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective May 20, 2010)

Currency Unit = Vietnamese Dong  
18,995 = US\$1  
US\$1.46198 = SDR 1

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

CFAA	Country Financial Accountability Assessment	MoF	Ministry of Finance
CPS	Country Partnership Strategy	MONRE	Ministry of Natural Resources and Environment
CRM	Corruption Risk Matrix	MPI	Ministry of Planning and Investment
DPL	Development Policy Loan	ODA	Overseas Development Assistance
EA	Environmental Assessment	OOG	Office of Government
EIA	Environmental Impact Assessment	PAD	Project Appraisal Document
EMF	Environmental Management Framework	PCU	Project Coordination Unit
EMP	Environmental Management Plan	PDO	Project Development Objective
FERD	Foreign Economic Relations Department	PFM	Public Financial Management
FM	Financial Management	PMU	Project Management Unit
FS	Feasibility Study	POM	Project Operations Manual
FSC	Facility Support Consultant	PPF	Project Preparation Facility
GDP	Gross Domestic Product	RAP	Resettlement Action Plan
GOV	Government of Vietnam	RPF	Resettlement Policy Framework
IA	Implementing Agency	SBV	State Bank of Vietnam
IBRD	International Bank for Reconstruction and Development	SC	Steering Committee
IDA	International Development Association	SEDP	Socio Economic Development Plan
IFSC	Interim Facility Support Consultants	SIA	Social Impact Assessment
IPF	Indigenous Peoples Framework	SMF	Safeguard Management Framework
IPP	Indigenous Peoples Plan	SOE	Statement of Expenditures
JPPR	Joint Portfolio Performance Review		

Vice President:	James W. Adams
Country Director:	Victoria Kwakwa
Sector Manager:	Hoonae Kim
Task Team Leader:	Paul Vallely

**VIETNAM**  
**PROJECT PREPARATION TA FACILITY PROJECT**

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**VIETNAM**  
**PROJECT PREPARATION TA FACILITY**  
**PROJECT APPRAISAL DOCUMENT**  
**EAST ASIA AND PACIFIC**  
**EASVS**

Date: May 24, 2010 Country Director: Victoria Kwakwa Sector Manager/Director: Hoonae Kim  Project ID: P118610 Lending Instrument: Technical Assistance Credit	Team Leader: Paul Vallely Sectors: Roads and highways (38%); General water, sanitation and flood protection sector (27%); General energy sector (15%); General agriculture, fishing and forestry sector (14%); General education sector (6%) Themes: Regional integration (60%); Infrastructure services for private sector development (20%); Other urban development (20%) Environmental category: Partial Assessment (B) Joint IFC: Joint Level:
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**Project Financing Data**

[ ] Loan    [X] Credit    [ ] Grant    [ ] Guarantee    [ ] Other:

For Loans/Credits/Others:

Total Bank financing (US\$m.): US\$100.00

Proposed terms: Standard, with 35-year maturity including 10-year grace period

**Financing Plan (US\$m)**

Source	Local	Foreign	Total
BORROWER/RECIPIENT	3.00	0.00	3.00
International Development Association (IDA)	60.00	40.00	100.00
Total:	63.00	40.00	103.00

**Borrower:**

Socialist Republic of Vietnam

**Responsible Agency:**

Ministry of Planning and Investment

2 Hoang Van Thu

Vietnam, 10000

Tel: (84-40) 804-3057 Fax: (84-43) 823-4716

Vuktnn@mpi.gov.vn

**Estimated disbursements (Bank FY/US\$m)**

FY	11	12	13	14	15	16
Annual	5.00	10.00	25.00	30.00	25.00	5.00
Cumulative	5.00	15.00	40.00	70.00	95.00	100.00

Project implementation period: Start October 31, 2010 End: December 31, 2015

Expected effectiveness date: October 31, 2010

Expected closing date: December 31, 2015

Does the project depart from the CAS in content or other significant respects? <b>Ref. PAD I.C.</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project require any exceptions from Bank policies? <b>Ref. PAD IV.G.</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Have these been approved by Bank management?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is approval for any policy exception sought from the Board?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project include any critical risks rated “substantial” or “high”? <b>Ref. PAD III.E.</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the project meet the Regional criteria for readiness for implementation? <b>Ref. PAD IV.G.</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<p>Project development objective <b>Ref. PAD II.C., Technical Annex 3</b></p> <p>The Project Development Objective is to increase the capacity of Government entities to plan and prepare public investments efficiently and to international quality standards. Project outcomes will include:</p> <ul style="list-style-type: none"> <li>(a) improved quality at entry;</li> <li>(b) shortened preparation periods and time to realize project benefits; and</li> <li>(c) increased capacity within government agencies and the national consulting industry to produce project preparation documents of good quality, to an acceptable schedule.</li> </ul>	
<p>Project description <i>[one-sentence summary of each component]</i> <b>Ref. PAD II.D., Technical Annex 4</b></p> <p>The Project Development Objective will be achieved through the following three components:</p> <p>Component A: Project Preparation Facility (US\$94.7 million)</p> <ul style="list-style-type: none"> <li>(a) Preparation of public investment projects to be financed through official development assistance, through the provision of Subproject Financings.</li> <li>(b) Provision of support to Subproject Financing Beneficiaries with respect to the preparation of Subproject proposals and administrative and financial management, procurement, and disbursement under Subprojects.</li> </ul> <p>Component B: Project Preparation Facility Support and Capacity Building (US\$4.70 million)</p> <ul style="list-style-type: none"> <li>(a) Provision of support to the Ministry of Planning and Investment with respect to the review and appraisal of Subproject proposals and the monitoring and evaluation of Subprojects.</li> <li>(b) Capacity building of Subproject Financing Beneficiaries and other relevant entities with respect to the technical aspects of Subproject implementation, including environmental and social safeguards.</li> <li>(c) Capacity building of the Ministry of Planning and Investment and other entities of the Recipient with respect to public investment projects generally.</li> </ul> <p>Component C: Incremental Operating Costs and Project Management Expenses (US\$3.60 million)</p> <p>Project management, implementation, and monitoring and evaluation, including administrative and financial management, procurement, and disbursement</p>	

Which safeguard policies are triggered, if any? *Ref. PAD IV.F., Technical Annex 10*  
Environmental Assessment (OP/BP 4.01)

Significant, non-standard conditions, **if any**, for:  
*Ref. PAD III.F.*

Board presentation:  
None

Loan/credit effectiveness:

- (a) MPI shall have selected and negotiated contracts with the Interim Facility Support Consultants (IFSC), including a chief advisor, a deputy chief advisor, a coordinator, an accountant, a financial management specialist, a procurement specialist, an environmental specialist and a social development specialist.
- (b) The Project Operations Manual (POM), acceptable to the Bank, shall have been adopted by the Borrower, through MPI.
- (c) MPI shall provide to the Bank a work program and budget covering the first 12 months of the Project. The program shall include a list of sub-projects to be prepared under Component A of the Project, and a list of activities for Component B of the Project.

Covenants applicable to Project implementation:

1. General

- (a) MPI shall have concluded contracts with the Interim Facility Support Consultants within one month of the effective date.
- (b) MPI shall provide to the Bank an annual work program and budget by November 30 of the previous year. The program shall include a list of sub-projects to be prepared under Component A of the Project, and a list of activities for Component B of the Project.
- (c) A Mid-term Review of the Project will be undertaken no later than April 2013.
- (d) Project implementation will follow the POM acceptable to the Bank; revisions to the POM will require Bank no objection.

2. Sub-project

- (a) Implementing Agencies (IAs) will confirm to MPI that no other financing is readily available for the proposed sub-projects.
- (b) MPI shall ensure that, in the event an IA does not implement its sub-project under the Project in a reasonable and agreed period, as defined in the POM, the funding for that sub-project will be withdrawn and reallocated.
- (c) For sub-projects to be implemented by IAs that are government-owned entities, MPI shall ensure that on-lending and on-granting agreements, and other required documentation are prepared, submitted to the Bank for review and no objection, and executed prior to requesting the Bank's no objection to the inclusion of the related sub-projects in the Project's financing.





## **I. STRATEGIC CONTEXT AND RATIONALE**

### **A. Country and sector issues**

1. Vietnam's poverty reduction and economic growth achievements over the last 15 years stand as a spectacular success story. Thanks to carefully implemented economic reforms and steady macroeconomic management, the annual real Gross Domestic Product (GDP) growth rate has averaged around 7.5 percent and the rate of poverty has fallen from around 70 percent to below 20 percent with widespread improvements in the lives of Vietnamese citizens. Moreover, it has been possible to maintain this high economic growth rate with only a modest increase in inequality. Despite the impacts of the recent financial crisis, these fundamental improvements are continuing.

2. Vietnam has achieved these outcomes through, in large part, an impressive investment program which accounted for about 40 percent of GDP with infrastructure taking up one quarter of the total. Public investment accounted for about 12-13 percent of GDP. While these percentages are quite high and cannot be expected to increase much more, maintaining them as the economy continues to grow will require a larger amount of investment in absolute terms. This will entail an increase in the number, size and complexity of most projects with many of the infrastructure projects having much greater social and environmental impacts. More importantly sustaining this performance of the economy at this high level will require more attention to the quality and sustainability of investments and their timely and efficient execution.

3. Development projects will continue to be in high demand in all economic and social sectors. The road, rail and waterway transport networks will require expansion for many years to come, if infrastructure bottlenecks are not to impede growth and, in particular, export performance and particularly with Vietnam embarking on a US\$30 billion expressway program. Urban transport will likewise require major investments, particularly in expensive, complex, but essential mass transport systems. In urban areas sanitation and drainage is still seriously inadequate, with limited wastewater collection and few wastewater treatment plants and environmentally acceptable solid waste disposal facilities. In rural areas sanitation facilities are virtually non-existent. Flooding still disrupts Vietnam's cities, is costly and is likely to get worse with the increasing effects of climate change. In addition climate change imposes large demands in terms of both adaptation and mitigation. Investments in rural development and agriculture are still a major contributor to growth and poverty reduction. Investment in health is needed to address variations in health indicators by region and province, and by ethnicity and income. Gains achieved in the quality and penetration of education need further support to tap all the talent available and to build up the skills that the economy, and specifically the business community, needs.

4. Reflecting this demand, Vietnam's Five-Year Socio Economic Development Plan for 2006–2010 (SEDP) called for a large increase in investment, including from Overseas Development Assistance (ODA) sources, particularly for infrastructure development. This is expected to continue in the 2011-15 plan. The ODA that needs to be invested and not just committed in 2006-2010, to achieve the SEDP growth objectives, was estimated at the time the SEDP was formulated to be approximately US\$11 billion. While this will be less as a

consequence of the recent economic crisis, the reduction should not be substantial, since much of the Government's crisis-related stimulus financing has been allocated to infrastructure development.

5. The effective expenditure of the Government's financial resources for the required investment, in addition to ODA financial resources, would be challenging when public investment procedures were well-structured and well-implemented. However, this is by and large not the case. Public investment generally, and infrastructure investment in particular, are typically delayed compared with schedules developed when projects were formulated. This applies equally to Bank-financed and other donor financed investments, as has been observed during the Bank's Country Portfolio Performance Reviews and the Joint Portfolio Performance Reviews undertaken in the context of the Six Banks initiative.<sup>1</sup> The stock of undisbursed ODA funds was about \$11 billion at the end of 2008<sup>2</sup>, and this is likely to increase unless project start-up delays in particular are substantially reduced. This delay in investment will continue to deprive the economy of substantial economic and social benefits.

6. The Government has established an ODA Inter-ministerial Task Force to address this situation. The Task Force is assigned with improving portfolio performance, and is being supported in this with significant amounts of technical assistance from the Six Banks group. This is largely directed at implementing an agreed joint action plan to improve project performance, which includes activities related to:

(a) Project Preparation and approval:

- (i) Harmonizing the Government of Vietnam's (GOV) Project Detailed Outline (the Government's initial approval document for an ODA-financed project) with the Donors' Project Concept Note; and
- (ii) Developing and institutionalizing common feasibility study guidelines for the GOV and donors;.

(b) Improving Project start up:

- (i) Restructuring Project Management Units (PMUs), to ensure continuity between preparation and implementation phases of projects;
- (ii) Advance action for consultant selection and procurement;
- (iii) Reducing the differences between GOV and international procurement procedures;
- (iv) Reforming the approach and methodology for project cost estimates; and
- (v) Developing a common policy framework for involuntary resettlement and environment.

(c) Improving project implementation:

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<sup>1</sup> The Asian Development Bank, Agence Francaise de Developpment, Japan International Cooperation Agency, KfW Development Bank, the Korean Eximbank, and the World Bank. Together these agencies have provided 80% of ODA investment lending to Vietnam.

<sup>2</sup> Sixth Joint Portfolio Performance Review, ODA Interministerial Task Force, October 2009.

- (i) Developing and adopting an aligned monitoring tool, for better reporting and improved monitoring and evaluation; and
- (ii) Accelerating contract payments.

7. There has been some progress on each of these, but much remains to be done. As a specific example, more effort is required to reduce the tendency of Government agencies to proceed with each step of project preparation, start-up, and implementation in a rigidly sequential manner, rather than using parallel approaches when the opportunity to do this exists. For this, much more use could be made of advance action for selecting feasibility and design consultants, for the early stages of works procurement, and for resettlement. More broadly, there is a need to increase the capacity of Government agencies at all levels and, over time, the capacity of national consulting companies, to prepare projects efficiently, and to high quality standards. The proposed project will support this objective.

## **B. Rationale for Bank involvement**

8. The Bank has been supporting this Task Force's action plan process, both through its membership of the Six Banks group, and also through high level policy interventions, most recently in the form of a development policy loan (DPL) for public investment reform.<sup>3</sup> This program is organized around four main areas which are viewed as essential to strengthen the public investment project cycle:

- (a) Project selection (competitive entry, environmental screening, project approval);
- (b) Project implementation (cost estimates, procurement, conflict of interest and dispute resolution, land and resettlement, environmental management);
- (c) Financial management (reporting and control, administrative costs, environmental budgets, subsidies and guarantees); and
- (d) Project oversight (project documentation, monitoring and evaluation).

9. The proposed project, which draws on the DPL reform agenda and the Government-Six Banks joint action plan, will support the Government's efforts to improve project quality and performance. It aims to do this though providing assistance with the critical project preparation activity, from both schedule and quality perspectives, by establishing a project preparation technical assistance facility that can be drawn upon to undertake, for example, feasibility studies, detailed designs, and procurement for projects across all development sectors. The Bank has a comparative advantage due to its experience and involvement in almost all of the country's development sectors, from policy development through capacity building, to investment operations. The Bank has a rich pool of global and country knowledge that can add significant value to enhancing the quality and efficiency of Vietnam's project preparation and implementation processes, and effectively support the institutional and procedural reforms that these processes require. Its role as a leading member of the Six Bank group, and as co-chair of

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<sup>3</sup> First Public Investment Reform Development Policy Loan, approved for \$500 million in December 2009.

the Consultative Group process, also strengthens its position as a reliable and effective partner for the Government in these reform processes.

10. The proposed project is aligned with the Bank's current Country Partnership Strategy (CPS), in supporting better planning processes, more transparent procurement and stronger public financial management, all of which fall under the governance "pillar" of the SEDP. The CPS also emphasizes that the planning process needs to adapt to achieve a more refined assessment of investment priorities.

11. There is also a strong rationale for an operation of this nature to improve project implementation performance, enhance the quality of investments, and speed up the realization of economic benefits. All of these will impact the quality of the country's public investment program, including Bank and other donor-financed operations. Secondly, the future shift from concessional to non-concessional financing, for example from IDA to International Bank for Reconstruction and Development (IBRD) funding, will necessitate an increase in the scale of projects to reduce transaction costs and increase the effectiveness of ODA funding to the Government. Taking the Bank's program as an example, the indicative pipeline of sustainable development sector projects for Bank financing foresees investment of \$7,500 million over the period FY2011-15. This compares with new financing of \$2,400 million over the previous 5-year period.

### **C. Higher level objectives to which the project contributes**

12. *Public investment reform.* The recently-approved DPL sets out policy actions targeting project selection, project implementation, public financial management, and project oversight. The proposed project provides the resources to support each of these across most of the country's development sectors.

13. *Financing sustained and efficient growth.* Vietnam's rapid and largely equitable growth has resulted from many factors, but large scale and largely effective public investment, in particular for essential economic infrastructure, has been an important contributor. Much has been done, but substantial public investment across all sectors will be required for many years before the country is able to meet its social and economic goals. The proposed project will contribute to more efficient public investment and, over time, support the Government in diversifying financing for such investment away from the traditional Government budget and ODA sources that have been dominant to date.

## **II. PROJECT DESCRIPTION**

### **A. Lending instrument**

14. The lending instrument is a Technical Assistance loan.

### **B. Project development objective and key indicators**

15. The Project Development Objective (PDO) for the Project Preparation TA Facility Project (the Project) is to increase the capacity of Government entities to plan and prepare public investments efficiently and to international quality standards. Project outcomes will include:

- (a) improved quality at entry;
  - (b) shortened preparation periods and time to realize project benefits; and
  - (c) increased capacity within government agencies and the national consulting industry to produce project preparation documents of good quality, to an acceptable schedule.
16. Indicators of overall Project performance are:
- (a) reduced preparation period for projects compared with the situation before the Project facility came into existence;
  - (b) increase in the number of projects prepared under a sub-project that have achieved the readiness criteria of completion of procurement ready to award contracts at time of financing approval for either (i) 30% of the value of the total project cost, or (ii) the first 18 months of activities; and
  - (c) For projects prepared using the Project facility, the time required to achieve 10% disbursement is reduced compared with (i) the situation before the facility came into existence; and (ii) projects prepared without accessing the facility.

### **C. Project components**

17. The PDO will be achieved through the following three components:

#### **Component A: Project Preparation Facility (*US\$94.7 million*)**

18. The Project will finance the preparation of a large number of sub-projects over a five-year implementation period. These range from large-scale infrastructure investments, requiring preparation budgets of up to US\$20 million, to smaller scale social sector operations, requiring individual consultant inputs costing around US\$0.5 million or less. The scope of this Component will include all tasks required to complete the preparation of the selected sub-projects so that their implementation can commence as soon as investment financing is available. To be eligible for consideration for funding under this component a sub-project must have been placed on the Government's approved list of ODA funded projects, be consistent with the Bank's

CPS for Vietnam, or through a specific agreement between the Bank and Ministry of Planning and Investment (MPI). Further, sub-project preparation activities beyond the feasibility study stage (for example, detailed engineering design) are contingent upon the viability of the sub-project being confirmed. Details of eligible activities and implementation arrangements are set out in Annex 4.

**Component B: Project Preparation Facility Support and Capacity Building (US\$4.70 million)**

19. This component provides support to MPI, the Project's executing agency to assist it with Project implementation, and also for capacity building targeting Implementing Agencies (IAs), and broader policy dialogue and studies to improve the government's overall development program and Project performance. There are three sub-components:

**Subcomponent B.1: Project Preparation Facility Support Services (US\$3.90 million)**

20. MPI will manage the Project through MPI's Project Coordination Unit (PCU). These services will provide the PCU with the support required to effectively manage the Project, through a Facility Support Consultant (FSC) team, supported with individual consultants, with strong project management expertise. Details on the scope of work are in Annex 6; key areas of support to MPI will include:

- (a) to screen and process sub-project applications;
- (b) overall monitoring and evaluation for the Project;
- (c) consolidated financial management;
- (d) procurement and safeguards guidance to the IAs;
- (e) portfolio management and monitoring/quality assurance; and
- (f) preparation of a capacity building program to be implemented under Sub-components B.2 and B.3.

21. These services will be provided initially by a team of individual consultants, the Interim Facility Support Consultants (IFSC) to accelerate Project start-up, and subsequently by a consulting firm (see Annex 6).

**Subcomponent B.2: Project Preparation Capacity Support Services (US\$0.40 million)**

22. These services are designed to support overall capacity building (primarily targeting the IAs) for project preparation. The capacity support consultants, under the direction of MPI, will provide targeted assistance to: (i) sub-project Implementation Agencies, both individually and collectively, to increase the capacity of these agencies to efficiently prepare projects to good quality standards; and (ii) Vietnamese consultants and planning institutes in terms of the technical aspects of project preparation documents. The interim facility support consultants supporting the PCU will develop and support MPI to implement a detailed program upon mobilization; including assessing ongoing activities, identifying gaps, designing an appropriate program, and coordinating with other institutions to develop effective partnerships.

### Subcomponent B.3: Policy Support and Institutional Strengthening (US\$0.40 million)

23. These services will provide MPI, and other central government economic agencies such as the Ministry of Finance (MoF) and the State Bank of Vietnam (SBV), with specialist support for improving the government's overall public investment project institutions and procedures, including support that arises from the work of the joint Government-Six Banks initiative. The B.1 consultants will support MPI to develop the detailed tasks under this sub-component subject to review and approval by the Bank. Activities may include preparing guidelines, workshops, printing and distribution of materials.

### **Component C: Incremental Operating Costs and Project Management Expenses (US\$3.60 million)**

24. Component C includes US\$0.60 million credit funds to support MPI for: (i) conducting annual external audits; and (ii) purchasing minor equipment and facilities required to manage the Project. The GOV has allocated US\$3 million in counterpart funds (detailed in Annex 5) which will be applied to MPI's project management expenses. The IAs (during the application process) will prepare its requirements for government counterpart funding which will be applied to their sub-project management expenses. Credit funds will only be applied to expenses that are fully funded only by the Credit. Credit funds will be applied to those expenses set out in Annex 5.

### **D. Lessons learned and reflected in the Project design**

25. The Project's design has evolved from studies of causes for delayed project implementation, which have typically caused delayed and/or reduced project development benefits, and slow disbursement of project loan funds. These studies, undertaken by the government itself, and also by its development partners, have demonstrated that slow project start-up and readiness is a major cause of project delays, and also that these delays could be reduced by preparing projects through a separate facility before the investment project financing was in place.

26. The Project's own implementation arrangements reflect these study findings. The Project executing agency, MPI, will have access to adequate consulting services to assist it with managing the Project, assessing applications for sub-projects, and preparing documentation compliant with the Government's and the Bank's requirements.

### **E. Alternatives considered and reasons for rejection**

27. In the past, investment projects have typically been prepared with trust fund grant support, through a Project Preparation Facility (PPF), or using the government's own resources. Past levels of support and resources through trust funds are no longer available. The PPF approach was considered but rejected because it was either too small for larger investment projects, or transaction intensive for a large portfolio of similar scope to the facility under this Project. For example, detailed engineering design and implementation preparation for projects greater than US\$1 billion expressway project would cost at least US\$20 million, well in excess of the US\$3 million PPF limit. Relying on the government's financing for preparation would not

address the start-up delay issue that is at the heart of the proposed Project's rationale. It would also leave at risk the critical safeguard and fiduciary aspects of project preparation.

28. MPI and the Bank considered making the Project's funding available for non-Bank financed sub-projects. However, both parties agreed, given the innovative nature of the Project, that it should initially focus on potential World Bank Group financed projects. Pending positive results and increased capacity of MPI to manage the facility, participation by other donor agencies, and for GOV financed sub-projects could be considered.

29. Feasibility studies carried out using local resources and reviewed by the Bank have tended not to be up to the desired quality. This has typically resulted in first review of the study followed by the need to carry out substantial work. Until the capacity of the national consulting industry is sufficiently enhanced, this approach has not proven adequate.

### **III. IMPLEMENTATION**

#### **A. Partnership arrangements**

30. Initially the Bank will be the sole financing source of the facility, but other development partners may be involved in the future. If the GOV indicates there is a strategic role for other institutions to contribute to and participate in the facility, the Bank would facilitate developing partnerships where appropriate.

#### **B. Institutional and implementation arrangements**

31. The Project will provide funding and management support for a financing facility to be utilized by ministries, government-owned entities<sup>4</sup>, provinces, and municipalities for preparation of sub-projects that are priority national investments, and intended to be financed by the Bank. The activities supported by the facility could typically include feasibility studies, detailed engineering and design, procurement, and other forms of preparation support.

32. MPI – with its multi-sector coordinating role – is the Project Executing Agency. The Project will work with numerous IAs, (ministries, government-owned entities, provinces, and municipal governments) which will access the facility to prepare investment projects for possible follow-on financing from the Bank. The Project's implementation arrangements are set out in Annex 6, and presented briefly below.

33. Steering Committee (SC). The Facility will have a SC to ensure coordination and accountability during Project implementation. The SC will be chaired by a Vice Minister of MPI. SC members will include representatives of the Ministry of Finance, the State Bank of Vietnam, and the Office of Government. The Bank will liaise with the SC.

34. MPI, as the Project owner and Executing Agency, will be responsible for Project implementation. MPI's overall role will be to monitor, coordinate, and manage the Project, to provide IAs with capacity building support where required, and to ensure that Project IAs

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<sup>4</sup> Government-owned entities, with separate legal status, for example, the Vietnam Expressway Corporation, Electricity Vietnam, city and municipal water utilities, etc.



implement their respective sub-projects effectively, to agreed schedules, and in accordance with the Project Operations Manual (POM).

35. PCU. MPI will establish a PCU that will be responsible for Project coordination and implementation – including procurement of consultants necessary for its functions, financial management, monitoring and evaluation, ‘top-level’ quality assurance of activities undertaken by the IAs, capacity building for IAs (that require this support), overall safeguards compliance of the program, and complaints handling. The PCU will be responsible for screening and clearing Sub-project Proposals from IAs based on eligibility criteria and processes highlighted in Annex 6. MPI will procure and manage the FSC who will report to the PCU in all of its responsibilities. To provide immediate assistance to the PCU an interim FSC team of selected experts will be engaged until recruitment of the full FSC has been completed.

36. Implementing Agency. The Project IAs (through their Project Management Unit (PMU)) will be responsible for applying for facility funds, procurement of consulting services for implementing sub-project preparation, management of all contracts, and ultimately for preparing the subsequent investment loans. The IAs will also be responsible for ensuring funds are administered in accordance with the POM and the Bank’s policies and guidelines. The IAs will work closely with the Bank’s Task Teams for the respective sub-projects during sub-project preparation.

37. World Bank. The Bank will supervise all activities at the Project and sub-project level. At the Project level, the Bank’s Project Task Team will coordinate with, and supervise MPI’s implementation of the Project. At the sub-project level, the Bank Sub-project Task Teams (responsible for preparing the sub-project investments) will be responsible for coordination and supervision of preparation activities carried out by the sub-project IAs. The Project Task Team will monitor sub-project performance through the online monitoring system developed for the Project (Annex 3, paragraph 5) and, where necessary, will meet with sub-project task teams to identify and resolve issues that are delaying sub-project implementation.

### **C. Monitoring and evaluation of outcomes/results**

38. MPI will have primary responsibility for monitoring and evaluating sub-project activities and results. The Project Task Team will work with MPI and the Sub-project Task Teams to monitor Project outputs. The Project Task Team will undertake two formal supervision missions each year, with the missions including representatives of the Sub-project Task Teams, sector specialists as necessary, and safeguards specialists.

39. The Project Task Team will undertake a Mid-term Review of the Project, no later than April 2013, on the basis of which progress towards achieving the Project’s objectives will be assessed, and the Project design adjusted as necessary to reflect experience gained during the initial period of implementation.

40. MPI will provide the Bank with a report at the end of each quarter setting out the status of the Project, and of each sub-project that the Project is supporting.

## D. Sustainability

41. Since the Project is the establishment of a funding mechanism for sub-project preparation, the sustainability issue in its usual definition does not arise. The Project builds on current practices of grant financing for project preparation to put in place a sustainable model for preparing public investment operations. The capacity building aspects of the Component B activities, for MPI and for the IAs, will support this transition to sustainability. The Project will be one element of larger on-going program being implemented jointly by GOV and the donors to improve efficiency, planning, preparation, and implementation of projects.

42. The Project will build capacity within government agencies, and the national consulting industry, to produce project preparation documents of good quality, to an acceptable schedule. The focus of this Project will be on the preparation of about 20 sub-projects. Whilst it is anticipated the benefits of this Project will be substantial, there may be a need to replicate and broaden the Project to include participation in the financing by other development partners and possibly the government. Projects that are prepared by the facility could also be financed by other development partners or the government. Modalities to address these options will be explored during Project implementation.

## E. Critical risks and possible controversial aspects

Risk	Risk Level	Risk Mitigation Measures
<b>To Project Development Objectives</b>		
MPI's ability to manage the Project effectively	S	MPI has worked extensively with donor-financed projects, and its staff is familiar with Bank procedures and implementing Bank-financed projects. MPI, through the Project, will be provided with consulting services to assist it with day-to-day management of the Project.
MPI and the sub-project agencies do not fully utilize the Project's outputs – information and documentation required to facilitate early investment project start-up – to expedite investment project implementation	M	The government is committed to improving project performance across all of its investment operations, including for donor supported programs. The Bank's Project and sub-project task teams will work together, and with MPI and the IAs, to ensure that sub-project investment loan preparation moves in parallel with the sub-project start-up activities supported by the Project.
One or more of the IAs does not perform as intended, for example, by delaying engagement of consultants.	M	Since the Project will support a substantial number of IAs, poor performance by one or more will not materially affect the Project's overall objectives. The availability to MPI of experienced consultants through the FSC team will provide the Project with the resources to assist weaker IAs.
MPI or one or more of the IAs fails to manage its part of the Project in accordance with the fiduciary and anti-corruption standards required.	M	The government and the Bank will supervise and monitor the Project in accordance with the agreed Governance, Transparency and Anti-corruption Framework (Annex 9)

<b>Risk</b>	<b>Risk Level</b>	<b>Risk Mitigation Measures</b>
<b>To Component Results</b>		
IA sub-project preparation does not meet the Bank's quality requirements for preparing an investment project.	N	Sub-project consultant selection will be reviewed by the Bank's sub-project task team. The team will also supervise the sub-project activities, and review all outputs as they are produced.
Some of the IAs is unable to meet the Project's financial management or procurement standards.	S	MPI, with assistance from the FSC team, and the Bank's Project and sub-project task teams will together ensure that IAs meet all required standards
MPI and the IAs do not select appropriate consultants or make adequate or effective use all consultants that they selected.	S	MPI has extensive experience in working with Bank and other donor financed consultants. The Bank's Project task team will supervise the Project's activities, and review all Project outputs as they are produced.
<b>OVERALL RISK LEVEL</b>	<b>M</b>	

Risk Rating – H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

43. Of its nature, the Project involves a large number of operations, repeating over time, across a wide range of sectors managed by government agencies that have varying capacities and implementation abilities. The Project will provide the resources required at facility management and sub-project levels to ensure that the Project is supervised appropriately, with particular attention to its challenging management and fiduciary aspects.

44. Possible controversial aspects. The Project will support start-up activities for sub-projects that are either in the CPS or Government's ODA lists, or are likely to be included in these lists. While many of the sub-projects will result in environmental and social impacts that will require mitigation, and most will require substantial procurement with the potential for governance failures, these matters will be addressed during sub-project preparation and subsequent implementation. Controversial aspects, if any, will be identified and addressed during these processes.

## **F. Loan/credit conditions and covenants**

45. Effectiveness

- (a) MPI shall have selected and negotiated contracts with the IFSC, including a chief advisor, a deputy chief advisor, a coordinator, an accountant, a financial management specialist, a procurement specialist, an environmental specialist and a social development specialist;
- (b) The POM, acceptable to the Bank, shall have been adopted by the Borrower, through MPI; and
- (c) MPI shall provide to the Bank a work program and budget covering the first 12 months of the Project. The program shall include a list of sub-projects to be prepared under Component A of the Project, and a list of activities for Component B of the Project.

## 46. Implementation

### 1. General

- (a) MPI shall have concluded contracts with the IFSC within one month of the effective date.
- (b) MPI shall provide to the Bank an annual work program and budget by November 30 of the previous year. The program shall include a list of sub-projects to be prepared under Component A of the Project, and a list of activities for Component B of the Project.
- (c) A Mid-term Review of the Project will be undertaken no later than April 2013.
- (d) Project implementation will follow the POM acceptable to the Bank; revisions to the POM will require Bank no objection.

### 2. Sub-project

- (e) Implementing Agencies (IAs) will confirm to MPI there are no other financing sources readily available for the proposed sub-project.
- (f) MPI shall ensure that, in the event an IA does not implement its sub-project under the Project in a reasonable and agreed period, as defined in the POM, the funding for that sub-project will be withdrawn and reallocated.
- (g) For sub-projects to be implemented by IAs that are government-owned entities, MPI shall ensure that the required Project agreements, on-lending or on-granting agreements, and other required documentation are prepared, submitted to the Bank for review and no objection, and executed, prior to requesting the Bank's no objection to the inclusion of the related sub-projects in the Project's financing.

## IV. APPRAISAL SUMMARY

### A. Economic and financial analyses

47. The proposed Project will provide capacity building support for Government agencies responsible for preparing public investment projects, and for funding for the preparation of such projects, and will not have itself present quantifiable economic and financial benefits. However, the Project is expected to allow the investment projects it supports, which will be subject to the usual economic and financial viability assessments during their preparation, to commence implementation earlier than would otherwise be the case. The investment financing will be processed in parallel with the project preparation work, rather than after the preparation work has been completed. This could reduce the delay between investment financing approval and substantial disbursement for works and/or goods by up to two years, based on experience across the present portfolio. For all projects the result will be earlier delivery of benefits, a potential reduction in cost, potentially improved project quality, and improved economic and, where applicable, financial viability outcomes.

48. The expectation is that as a result of the Project, that there is a reduction in the economic and social benefits foregone as a result of the delayed preparation of these projects. For projects funded through IBRD loans, there would be the additional benefit of lower commitment charges, and potentially shorter implementation periods, both of which would reduce total project costs substantially. In addition, the enhanced capacity of the government agencies in preparing projects will result in better designed projects with higher economic rates of return.

## **B. Technical**

49. The Project will include measures to conduct due diligence throughout the project cycle (identification, screening, application, procurement, review and supervision of IA implementation of feasibility studies, detailed designs, procurement, etc) for technical aspects of the preparation activities financed through the Project.

## **C. Fiduciary**

50. The Project POM will include a Corruption Risk Matrix (CRM) to identify potential risks of corruption and appropriate mitigation measures developed in consultation with and agreed by the Executing Agency and the Bank (details in Annex 9: Governance, Transparency and Anti-Corruption). The POM and CRM will be subject to review during the implementation of the Project and may be refined with mutual agreement between the Bank and the Implementing Agency. The detailed fiduciary control systems for the Project are outlined in Annex 7: Financial Management and Disbursement Arrangements, and Annex 8: Procurement Arrangements.

51. Financial Management: An assessment of the financial management (FM) arrangements for the proposed Project was conducted based on the November 3, 2005; guidelines issued by the FM Sector Board and included discussions with the financial management personnel of MPI's project preparation team. This assessment concluded that the Project meets the minimum Bank financial management requirements, as set out in BP/OP 10.02. The Project will maintain adequate financial management arrangement acceptable to the Bank and, as part of the overall arrangements that the borrower has in place for implementing the operation, provide reasonable assurance that the proceeds of the Credit will be used for the purposes for which the Credit was granted. Financial management risk is defined as the risk that the proceeds of a World Bank Credit will not be used for the purposes intended and is a combination of country, sector, and project-specific risk factors. Taking into account the risk-mitigation measures proposed under the Project, a "Substantial" FM risk rating was assigned to the Project at the appraisal stage. To address this risk, mitigation measures were developed for implementation under the Project. Under these mitigation measures, the main actions required are: (i) development of a Financial Management Manual (as part of the POM) for the Project; (ii) appointing FM staff with acceptable qualification and experience; (iii) training for the PCU and IA FM staff; and (iv) development of a spreadsheet for recording funds received and uses of funds at the PCU.

52. One Designated Account will be maintained by PCU in US dollars at a commercial bank under terms and conditions acceptable to IDA. Standard disbursement methods, based on use of SOE/ Summary Sheets, will be applied. Both MPI and the IAs have been assessed as having the capability to mobilize the required counterpart funds. Counterpart funds will not be applied to

any activity or expenses funded by the Credit, if Credit funds are used they will only fund 100% of an activity or expenses. At the request of MPI, the project includes retroactive financing for withdrawals up to an aggregate amount not to exceed \$100,000 equivalent for payments made on or after June 1, 2010, for eligible expenditures. The amount requested is about 0.1% of the proposed Credit amount and the eligibility date is within 2 months of the expected signing date of the Credit. This request complied with the requirements of OP 6.00 - Bank Financing.

53. The Project Financial Statements will be audited by independent auditors acceptable to the Bank in accordance with terms of reference, also acceptable to the Bank. The cost of financial audits will be funded by the Project. In addition, quarterly Interim Financial Reports will be prepared by PCU, using the Aligned Monitoring Tools under Decision 803 of MPI.

54. Procurement for the proposed Project would be carried out in accordance with the World Bank's "Guidelines: Procurement Under IBRD Loans and IDA Credits" dated May 2004, revised in October 2006; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 revised in October 2006, and the provisions stipulated in the Financing Agreement. The procurement risk of the proposed Project was initially rated as "High". To address this risk the mitigation measures described in Annex 8 were developed, with the implementation of these mitigation measures this risk is expected to reduce to "Substantial". General arrangements for Project procurement, initial assessment of the IAs procurement implementation capacity and capacity building action plan, Bank review requirements and Bank review procedures are presented in Annex 8. The Procurement Plan for the first 18 months of the Project (covering the first four operations which have been agreed with the Bank at the time of negotiations) were prepared and agreed with the Borrower. This Procurement Plan would be modified and updated to reflect any new operations that are agreed during the first 18 months of the Project implementation.

#### **D. Social**

55. The Project will finance sub-project preparation studies and therefore will have no direct social impacts. However, there are potential negative social impacts associated with the construction and operation of sub-projects whose preparation is financed by the Project. Therefore, in accordance with the Bank's safeguard policies, the preparation of all sub-projects financed by the Project will incorporate appropriate social considerations to add value to the Project's benefits and to mitigate any potential negative impacts.

56. The Project will finance the preparation of appropriate safeguard instruments, as part of sub-project preparation, to ensure compliance with the Bank's social safeguard policies. Screening will be carried out for each sub-project to determine the main potential social impacts, which social safeguard policy may be triggered, and the Environmental Assessment category of the sub-project.

57. Depending on the results of the screening, the relevant social safeguard instruments, such as: social (impact) assessments (SIAs), resettlement action plans (RAPs), resettlement policy frameworks (RPFs), indigenous peoples plans (IPPs), indigenous peoples frameworks (IPFs), public consultations, surveys, and other appropriate instruments will be prepared as part of sub-project preparation to comply with the Government's existing requirements and with the Bank's

social safeguard policies. Where a RAP or RPF is required, the terms of reference for its preparation will be subject to the Bank's review and clearance; the reports so produced will also be subject to the Bank's review and clearance.

58. The terms of reference developed for sub-project preparation studies such as feasibility studies, detailed engineering design, surveys, or other related activities – to be carried out as part of sub-project preparation – will contain adequate provisions requiring that social considerations be incorporated into such studies. These terms of reference will also be subject to the Bank's review and clearance.

59. If well managed and executed, this Project is expected to have positive, albeit indirect, social impacts on future Bank lending operations through the preparation of Bank-compliant, timely and good-quality social safeguard studies.

60. At the time of application for project preparation funds from this Project, the IAs will be assessed for their capacity to prepare social safeguard instruments. Where necessary, they will be assisted with advice and support as needed.

## **E. Environment**

61. The Project will finance sub-project preparation studies and therefore have no direct environmental impacts. However, there are potential negative environmental impacts associated with the construction and operation of sub-projects whose preparation is financed by the Project. Therefore, in accordance with the Bank's safeguard policies, the preparation of all sub-projects to be financed by the Project will incorporate appropriate environmental considerations to add value to the sub-project's benefits and to mitigate any potential negative impacts.

62. The Project will finance the preparation of appropriate safeguard instruments to ensure compliance with the Bank's environmental safeguard policies. Environmental screening will be carried out for each sub-project to determine the main potential environmental impacts and to determine the Environmental Assessment (EA) category of the sub-project.

63. Depending on the Environmental Assessment category, relevant environmental management instruments, such as environmental impact assessments (EIA), environmental management frameworks (EMF), environmental management plans (EMP), or other suitable instruments, will be prepared as part of sub-project preparation to comply with the Government's existing environmental management requirements and with the Bank's safeguard policies. The terms of reference for all safeguards instruments preparation will be subject to the Bank's review and clearance; EIA, EMF, and EMP reports produced will also be subject to the Bank's review and clearance.

64. The terms of reference developed for sub-project preparation studies such as feasibility studies, detailed engineering design, surveys, or other related activities – to be carried out as part of sub-project preparation – will contain adequate provisions requiring that environmental considerations be incorporated into such studies. These terms of reference will also be subject to the Bank's review and clearance.

65. If well managed and executed, this Project is expected to have positive, albeit indirect, environmental impacts on future Bank lending operations through the preparation of Bank-compliant, timely and good-quality environmental safeguard studies.

66. At the time of application for project preparation funds from this Project, the respective IAs will be assessed for their capacity to prepare environmental safeguard instruments; they will be assisted with advice and support as needed. The POM will have further sources of information on the preparation of safeguard instruments, but capacity building will be part of the respective follow-on investment projects.

## F. Safeguard policies

Safeguard Policies Triggered by the Project	Yes	No
<a href="#">Environmental Assessment (OP/BP 4.01)</a>	[x]	[ ]
Natural Habitats ( <a href="#">OP/BP 4.04</a> )	[ ]	[x]
Pest Management ( <a href="#">OP 4.09</a> )	[ ]	[x]
Indigenous Peoples ( <a href="#">OP/BP 4.10</a> )	[ ]	[x]
Physical Cultural Resources ( <a href="#">OP/BP 4.11</a> )	[ ]	[x]
Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )	[ ]	[x]
Forests ( <a href="#">OP/BP 4.36</a> )	[ ]	[x]
Safety of Dams ( <a href="#">OP/BP 4.37</a> )	[ ]	[x]
Projects on International Waterways ( <a href="#">OP/BP 7.50</a> )	[ ]	[x]
Projects in Disputed Areas ( <a href="#">OP/BP 7.60</a> )*	[ ]	[x]

67. The Project is a technical assistance facility for project preparation that will finance studies and related activities only. As the Project will not include any physical implementation or works, it will have no direct environmental or social impacts. OP 4.01 will be triggered by the Project, since it involves the preparation of safeguards instruments. Individual sub-project safeguard instruments will address any or all other safeguard policies, which will be fully considered during the preparation of the necessary safeguard documents. However, these other safeguard policies would be triggered only under the ensuing respective investment projects.

68. A comprehensive Safeguard Management Framework (SMF) has been prepared that sets out the procedures to be used under the Project to: (i) ensure that sub-projects are screened for their potential environment and social impacts; (ii) identify applicable Bank safeguard policies and national laws and regulations; (iii) assign EA categories; (iv) determine the type and scope of safeguards instruments required (for each sub-project), including consultation and disclosure requirements for such instruments; and (v) assess capacity for safeguard management and provide support when needed. A copy of the SMF is in Annex 11. At the Project level, the PCU set up within the Executing Agency (MPI) will be responsible for the compliance of all preparation work with Bank policies and requirements, including all safeguard policies. The PCU will be assisted by the FSC team that will include international environmental and social specialists. These specialists will assist sub-project implementing agencies with screening their proposed sub-projects, scoping, and preparing terms of reference, and subsequently, supervising and reviewing the various safeguard studies to assure their quality.

\* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas



68. The specific key stakeholders for this Project are not known but the processes and responsibilities set out in the SMF described above will ensure that for all EIA, RAP and other safeguard instruments that require stakeholder involvement, adequate public consultation will be undertaken, and will also be properly documented at the appropriate stage(s) of the sub-project preparation. All safeguard instruments prepared for sub-projects, such as EA, EAP, RAP, or IPP that reach the final draft stage while still being managed by this Project will be disclosed as required under Bank policies, both locally and to the Bank's InfoShop; the respective responsible agents are the IA for local disclosure, and the Bank's sub-project task team for the disclosure to the InfoShop. Compliance with the requirements for local disclosure will be assisted as needed by the environmental / social specialists of the FSC team (supporting the IA PMU). Once the safeguard studies have been completed the Bank's task team for the follow-on investment operation takes over and continues with the processing steps; final disclosure to the InfoShop during appraisal of the investment project will be their responsibility.

**G. Policy Exceptions and Readiness**

69. Policy Exceptions: The Project complies with all Bank policies.

70. Readiness Criteria:

- (a) PCU staff appointed by MPI – met as a condition for negotiations
- (b) Selection of interim facility support consultants by MPI underway – draft contracts will have been negotiated with the IFSC as condition for effectiveness.
- (c) Fiduciary (FM and procurement) arrangements for MPI in place – Yes
- (d) Disclosure requirements met – Yes



## **Annex 1: Country and Sector or Program Background**

1. Vietnam's poverty reduction and economic growth achievements over the last 15 years stand as a spectacular success story. Thanks to carefully implemented economic reforms and steady macroeconomic management, the annual real GDP growth rate has averaged around 7.5 percent and the rate of poverty has fallen from around 70 percent to below 20 percent with widespread improvements in the lives of Vietnamese citizens. Moreover, it has been possible to maintain this high economic growth rate with only a modest increase in inequality. Despite the impacts of the recent financial crisis, these fundamental improvements are continuing.
2. The Bank continues to support the Government's reform program, most recently through a development policy loan (DPL)<sup>5</sup> designed to assist it with strengthening the selection, preparation, implementation, and supervision of public investment projects. While there have been significant improvements in the management of public financial management in relation to recurrent expenditures, there has not been equivalent movement in the management of investment projects, where significant weaknesses remain. Those weaknesses take a toll on economic efficiency in a country where total investment accounted for 41.3 percent of the Gross Domestic Product (GDP) in 2008, and consolidated public sector investment for 12.6 percent. As highlighted in the DPL, there needs to be an increased focus on the quality of growth, in addition to its quantity.
3. Important gaps remain in areas such as environmental screening and environmental management, project preparation and appraisal, procurement, public financial management, the regulatory framework for private participation in infrastructure, and monitoring and evaluation. These gaps have been well diagnosed by now, thanks to a long-term engagement of the World Bank and other donors with government in relation to planning processes, public financial management, project implementation and safeguards work. The Bank, and other donors, have worked closely with the Government, most recently through the Six Banks initiatives<sup>6</sup>, to close these gaps, through comprehensive project reviews, and the provision of technical assistance to build capacity, improve procedures, and put in place improved and simplified project development, implementation, and monitoring systems.
4. Nonetheless, substantial gaps between country systems and international standards remain, and these affect not only the efficiency of budget-funded public investments but also the speed of implementation of donor-funded projects. The use of parallel systems by donors for instance for preparing feasibility studies and undertaking procurement, results in considerable delays in project implementation. Officials in line ministries, provincial governments and Project Management Units) are reluctant to deviate from official procedures, for fear of sanctions. This behaviour contributes to consistently low disbursement rates for the development banks operating in Vietnam, thus substantially reducing the benefits of the substantial amounts of Official Development Assistance (ODA) support that the country

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<sup>5</sup> The First Public Investment Reform Development Policy Loan, approved for \$500 million in December 2009.

<sup>6</sup> The Asian Development Bank (ADB), Agence Française de Développement (AFD), Japan International Cooperation Agency (JICA), KfW Development Bank (KfW), the Korean Eximbank (KEXIM), and the World Bank. Together these agencies have provided 80% of ODA investment lending to Vietnam.

receives, and will continue to receive. This will become an even more critical problem as Vietnam begins to borrow increasing amounts of IBRD and equivalent financing from the development banks, and from commercial sources.

5. While donor commitments for project financing continue to increase, and the Government's Socioeconomic Development Plan for 2006 to 2011 envisages substantial increases in ODA-financed project investments, broadly \$11 billion over the plan period, the most recent Six Banks Joint Portfolio Performance Review (JPPR), undertaken in the latter part of 2009, identified warning signs that the quality of the donor-financed portfolio might begin to decline. The review identified several issues that required attention, including: (i) an increasingly stagnant disbursement performance and a noted downward trend in disbursement ratios; (ii) slow project start-up leading to possible missed opportunities; (iii) delays in implementation requiring frequent project extensions; and (iv) an increasing trend in loan cancellations resulting in a possible wastage of benefits.

6. The JPPR has confirmed this, that one of the main causes of implementation delays is the widespread adoption by the Government's project agencies of a "sequential" approach rather than a "parallel" one in the start-up phase of project implementation. For example no procurement processing (recruitment of consultants, tendering for TA and key packages) starts until the Legal Agreements have been signed or in some cases even declared effective. Other key start-up activities, such as resettlement and the establishment of project management structures and systems are also very often delayed. To minimize project start-up delays, the ODA implementation framework needs to allow for, and encourage, "Advanced Preparatory Action" to take place prior to the signing and effectiveness of projects. This would mean that procurement activities (primarily for consultant services, technical assistance and key works packages) could start following the approval of the Government feasibility study (and the decision by the donor to appraise) and be completed up to the point of contract signing, prior to effectiveness of the project loan. Once the loan agreement has been declared effective, the consulting services or works contracts could then be signed immediately. This would result in significant reductions in lead times, perhaps at least 18 months, if such a parallel process is adopted for procurement of goods and works as well as for consultant selection. Taken across the Bank's portfolio, a reduction of this magnitude would have significant positive impacts on the delivery of project benefits, disbursements, loan period extensions, and project costs.

7. The ability to do this, however, has typically been constrained on the Government's part by a lack of funds for preparation activities. The Bank has been similarly constrained, particularly for large infrastructure projects. The PHRD grants previously used for project preparation were typically only sufficient for feasibility studies. Detailed design and procurement of consulting and works contracts of necessity had to be included in the scope of the ensuing investment project. Even when the Bank's project preparation facility was used, its \$3 million limit meant that it was usually inadequate for larger projects, particularly projects that required complex detailed design work, safeguards surveys, and procurement activities. When combined with the Government agencies' general reluctance to commence any project activities until the project loan had been declared effective, the result was start-up periods, from effectiveness to commencement of construction of at least two years, and very often much longer. Leaving aside the resulting loss, or at least delayed achievement, of development

benefits, the Government found itself with a large number of substantial loans that were disbursing only very small amounts for considerable periods.

8. Improving this situation, by completing feasibility studies, detailed design, safeguards activities and procurement prior to, or in parallel with, approval of an investment loan would dramatically reduce this long start-up period. The result would be, once the process had become established across the program, earlier commencement of project implementation, improved disbursement ratios, and reduced project costs, through reduced escalation payments and also through reduced financing costs as an increasing proportion of the portfolio moves from IDA to IBRD financing. There should also be a substantial improvement in project quality, since projects would be prepared with adequate resources, and the documentation presented to the Government and the Bank for approval of an investment project would be considerably more detailed than is the case when projects are prepared on the basis of feasibility studies alone.

9. The ability to do this, however, has typically been constrained on the Government's part by a lack of funds for preparation activities. The Bank has been similarly constrained, particularly for large infrastructure projects. The PHRD grants previously used for project preparation were typically only sufficient for feasibility studies. Detailed design and procurement of consulting and works contracts of necessity had to be included in the scope of the ensuing investment project. Even when the Bank's project preparation facility was used, its \$3 million limit meant that it was usually inadequate for larger projects, particularly projects that required complex detailed design work, safeguards surveys, and procurement activities. When combined with the Government agencies' general reluctance to commence any project activities until the project loan had been declared effective, the result was start-up periods, from effectiveness to commencement of construction of at least two years, and very often much longer. Leaving aside the resulting loss, or at least delayed achievement, of development benefits, the Government found itself with a large number of substantial loans that were disbursing only very small amounts for considerable periods.

10. Improving this situation, by completing feasibility studies, detailed design, safeguards activities and procurement prior to, or in parallel with, approval of an investment loan would dramatically reduce this long start-up period. The result would be, once the process had become established across the program, earlier commencement of project implementation, improved disbursement ratios, and reduced project costs, through reduced escalation payments and also through reduced financing costs as an increasing proportion of the portfolio moves from IDA to IBRD financing. There should also be a substantial improvement in project quality, since projects would be prepared with adequate resources, and the documentation presented to the Government and the Bank for approval of an investment project would be considerably more detailed than is the case when projects are prepared on the basis of feasibility studies alone.

11. The availability of start-up financing through an effective project preparation facility would allow all of these concerns to be addressed. The Government has indicated its interest in such a facility, to be managed through a core agency such as the Ministry of Planning and Investment (MPI), to be available to Government agencies requiring assistance with preparing projects that could be financed by the Bank.

## **Annex 2: Major Related Projects Financed by the Bank and/or other Agencies**

### *Vietnam: The First Public Investment Reform Development Policy Loan*

1. The program was designed to assist the government of Vietnam with strengthening the selection, preparation, implementation and supervision of public investment projects. It supports a series of measures which are expected to strengthen the country's public investment cycle. It also provided quick disbursing resources to the government to finance its ongoing stimulus package.
2. The program has been prepared as two single tranche operations providing general budget support in recognition of strong progress towards strengthening public investment processes. It focuses on the following areas: project selection, project implementation, financial management, and project oversight, each of which is relevant to proposed project.
3. The first tranche, of US\$500 million, was disbursed in December 2009.

### *Vietnam: Eighth Poverty Reduction Support Credit*

4. The eighth Poverty Reduction Support Credit (PRSC 8) was designed to assist the government with implementing the SEDP 2006-2010. It aims to support all four pillars of the SEDP, namely, fostering business development, ensuring social inclusion, managing natural resources, and strengthening governance. The last of these is relevant to the proposed project, which aims to improve the effectiveness of public investment.
5. The credit is the third in a programmatic series of five annual single-tranche operations (PRSCs 6-10). This series follows the first cycle of five operations (PRSCs 1-5). The PRSCs are well-suited to support the implementation of the SEDP, as the cross-cutting nature of the policy dialogue conducted through PRSCs encourages taking a holistic view of the reform agenda, and promotes collaboration among line ministries and government agencies. The Credit's single tranche was disbursed in mid 2009.
6. PRSC 9, now under preparation for approval in FY 2010, will continue the focus on governance, including fighting corruption. The relevant program trigger is related to carrying out annual procurement compliance and performance audits and making public the findings, adopting a procurement code of ethics for participants, and launching an open access electronic bidding system.

### *Indonesia: Infrastructure Reconstruction Enabling Program*

7. The objective of the post-2004 tsunami Infrastructure Reconstruction Enabling Program (IREP) was to support the Government's strategy for infrastructure reconstruction by providing high quality technical assistance services in infrastructure program management, planning, design, construction management, quality management and program monitoring. The project supports the Government with overall coordination of the infrastructure reconstruction program. Through IREP programs, between US\$330-400 million of infrastructure projects have been developed and implemented.

*India: States Roads Infrastructure Development Technical Assistance Project*

8. The overall objective of the Project was to strengthen policy based efforts by individual States towards effective reforms in the provision, financing and maintenance of road infrastructure, while assisting their preparation of high-priority quality road infrastructure investments that could be financed by the Bank. Over five years, the project financed technical assistance activities in three project components: (i) project preparation and implementation support for a large number of sub-projects that subsequently became investment projects; (ii) policy support and institutional development; and (iii) project management.

*China: Economic Reform Implementation Project*

9. The objective of the project is to assist the Government of China in implementing its economic reform agenda. The project achieves this through a series of technical assistance sub-projects, and finances consulting services, workshops, training, capacity building and goods. Its relevance to the proposed project lies in its structure, an umbrella facility financing of a disparate range of sub-projects across a number of sectors and government agencies.

**Asian Development Bank**

10. *Vietnam: Greater Mekong Subregion Ha Noi-Lang Son, Greater Mekong Subregion Ha Long-Mong Cai, and Ben Luc-Long Thanh Expressways Technical Assistance Project (Loan 2460-VIE).*

11. The Hanoi–Lang Son, Ha Long–Mong Cai, and Ben Luc–Long Thanh Expressways Technical Assistance (TA) Project, in parallel with two concurrent technical assistance grants, is assisting the Government with preconstruction activities for the three expressways. The project scope includes: (i) detailed design of the expressways and their associated facilities; (ii) updating resettlement plans, ethnic minority development plans, and environmental impact assessments and environmental management plans; (iii) preparation of bidding documents for civil works and assistance during the procurement of contracts; and (iv) assistance with implementation of land acquisition and resettlement for the three expressways.

### Annex 3: Results Framework and Monitoring

#### Results Framework

<b>Project Development Objective</b>	<b>Project Outcome Indicators</b>	<b>Use of Outcome information</b>
Government agencies have increased capacity to plan and prepare public investments efficiently and to international quality standards.	Improved project quality at entry through an increase in the number of projects prepared beyond usual feasibility study level prior to appraisal (captured by the outcome indicators below).	To better allocate investment funding to agencies and sectors that perform well, and to develop capacity building assistance for the agencies and sectors as needed.
<b>Intermediate Outcomes</b>	<b>Intermediate Outcome Indicators</b>	<b>Use of Intermediate Outcome Monitoring</b>
Increased capacity within the participating agencies and Vietnamese consulting industry to produce project preparation documents of good quality, and to an acceptable schedule.	<p>(A) Reduced preparation period for projects compared with the situation before the project facility came into existence.</p> <p>(B) Increase in the number of projects prepared under a sub-project that have achieved the readiness criteria of completion of procurement ready to award contracts at time of financing approval for either: (i) 30% of the value of the total project cost; or (ii) the first 18 months of activities.</p> <p>(C) For projects prepared using the Project, the time required to achieve 10% disbursement is reduced compared with: (i) the situation before the facility came into existence; and (ii) projects prepared without accessing the facility.</p>	Increased knowledge of problem areas for portfolio monitoring. Refining the Project's implementation arrangements based on experience gained, and to developing targeted training and capacity building programs.



## Arrangements for Results Monitoring

	Target Values						Data Collection and Reporting		
Outcome Indicators	Base-line	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Frequency and Reports	Data Collection Instruments*	Resp. for data collection
Evidence of improved project quality at entry through an increase in detail and range of documentation ready by appraisal of the resulting investment loan, and more substantial completion of start-up activities prior to investment loan approval.	Captured by results indicators below						Annual	Portfolio Monitoring of PPTAF and creation of baseline.	MPI
<b>Results Indicator for Each target</b>									
A.) Reduced preparation period for projects compared with the situation before the Project facility came into existence. (i) Average time from PCN to Board Approval	(i) 27 months	n/a	n/a	n/a	20m	20m	Quarterly	MPI status reports and Bank portfolio monitoring tools	MPI
B.) There is an increase in the number of projects prepared under a sub-project that have achieved the readiness criteria of completion of procurement ready to award contracts at time of financing approval for either: (i) 30% of the value of the total project cost; or (ii) the first 18 months of activities.	(i) 5% of the portfolio (2 of 40 projects)  (ii.) n/a			25%	2%	25%	Quarterly	MPI status reports and Bank portfolio monitoring tools	MPI
(C.) For projects prepared using the Project facility, the time required to achieve 10% disbursement is reduced compared with: (i) the situation before the facility came into existence; and (ii) projects prepared without accessing the facility.	(i) 21.6**  (ii.) n/a	n/a	n/a	n/a	15m	15m	Quarterly	MPI status reports and Bank portfolio monitoring tools	MPI

\*The monitoring and evaluation framework will follow Decision 803, for Aligned Monitoring Reporting for ODA Projects.

\*\* This figure measures the average time of the active projects (26 out of the 40 in the portfolio) that already achieved 10% disbursement.

1. This is a facility through which a significant number of sub-project operations will be prepared in a form and manner suitable for Bank financing. Several of the sub-projects have been identified, but others will be identified during Project implementation. Results frameworks will be prepared for each of the sub-projects that emerge from the facility, as part of the investment loan processing.

## **Arrangements for results monitoring**

2. *M&E by the Ministry of Planning and Investment.* MPI will have primary responsibility for monitoring and evaluating sub-projects.

3. *M&E by the Bank.* The Bank's Project task team will work with MPI and the Bank's sub-project task teams to monitor Project outputs. The Project task team will undertake two formal supervision missions each year, with the mission including representatives of the sub-project task teams, sector specialists, and safeguards specialists as necessary.

4. The Project task team will undertake a mid-term review of the Project, in the second half of 2012, on the basis of which progress towards achieving the Project's objectives will be assessed, and the Project design adjusted as necessary to reflect experience gained during the initial period of implementation.

5. MPI will provide the Bank with a report at the end of each quarter setting out the status of the Project, and of each sub-project that the Project is supporting. These reports will draw information from an on-line project and sub-project monitoring system to be developed by the PCU with consultant support and accessible to MPI, IAs, and the Bank's Project and sub-project task teams.

## **Annex 4: Detailed Project Description**

### **A. Eligibility**

1. Eligibility Criteria. The primary eligibility criterion will be that proposed sub-projects are listed in the government's ODA list. A sub-project can also be considered for eligibility if it is to be included in the following year's ODA list, or through a specific agreement between the Bank and MPI.
2. Eligible Activities. The Project will primarily finance feasibility studies, detailed designs, and procurement activities but could also include: (a) scoping and prioritization of project concepts; (b) strategic options studies; (c) all safeguards instruments; (d) surveys and tests; (e) design for policy work; (f) preparation of terms of reference for consulting services to implement the sub-project; (g) managerial and financial management support; (h) procurement support; (i) preparing Operations Manuals; (j) training and workshops; (k) governance frameworks; (l) GOV feasibility studies (following the GOV Common Feasibility Study guidelines per Decision 48) (m) preparation of documentation to prepare a sub-project under public-private partnerships arrangements; (n) preparing designs to meet the requirements of the construction law; and (o) other activities as agreed from time to time between MPI and the Bank.

### **B. Candidate Sub-project Investments**

3. Candidate Sub-project Investment Portfolio. The Project will finance the preparation of a large number of sub-projects. For budgeting and programming purposes, MPI and the Bank identified roughly 20 possible sub-project investments (with estimated preparation budget requirements totaling US\$85.5 million, to prepare US\$4,145 million in investments) that are candidates for accessing the facility. There is a contingency for US\$7 million to accommodate additional sub-projects or expected revisions to the preliminary cost estimates.
4. Table 1 shows the four sub-projects that are considered *firm* candidates to access the facility in FY11. These sub-projects are agreed between the Bank and GOV, with PCNs complete, and will utilize an estimated \$21 million from the Project.
5. The majority of the remaining sub-projects that are in the GOV and Bank pipeline are scheduled for approval in FY 12-13. These are considered sub-projects likely to utilize the facility (covering rural, education, health, urban, and transport sectors), and will require an estimated \$44.4 million in preparation financing from the facility to prepare US\$2,505 million in investments. There are couple sub-projects scheduled for FY13-14 – these *potential* sub-projects are beyond the ODA planning horizon, and not yet on the approved ODA list.
6. Financing Terms. For sub-projects to be implemented by ministries and other entities financed directly from the government budget, Project funds will be allocated through the budget. For sub-projects to be implemented by government-owned entities, or entities with similar characteristics, Project funds will be on-lent in accordance with government policies.

**Table 1: ‘Firm’ Candidate sub-projects**

	Sub-Project	Sector	Implementing Agency	Apply for PPTAF Funds	Est Sub-project Approval Date
1	Medium and Small Cities Development	Urban	Lao Cai, Vinh, Phuly	FY11	FY11
2	Mekong Water Management Rural Development	Rural	MARD	FY11	FY11
3	Hospital Waste Management Project	Health	MoH	FY11	FY11
4	Urban Water Supply and Waste Water (WWTP for NL-NT-HCMC)	Urban	HCMC	FY11	FY13
Estimated Project Preparation Financing Requirements are US\$21million					
This list is for planning purposes, and inclusion of the sub-project on this list does not guarantee support through PPTAF or future Bank financing.					

## C. Project Components

### Component A: Project Preparation Facility (US\$94.7 million)

7. Component A will finance consulting services and other activities necessary for IAs to prepare eligible sub-projects. The IAs may also utilize Project financing for consultant activities related to project management (procurement, financial management, reporting, etc), or other activities listed in paragraph 2 above.

### Component B: Project Preparation Facility Support and Capacity Building (US\$4.7 million)

8. Component B will provide support to MPI to assist with coordination, implementation, capacity building, and also for broader policy dialogue and studies to improve Project and sub-project performance. Component B has three subcomponents:

#### Sub-component B.1: Facility Support Services to MPI (US\$3.90 million)

9. These services provide MPI with the support to effectively manage the Project, through consultants with strong project management experience, and will be composed of international and national experts.

10. The key tasks of the consultants (*Facility Support Consultants*) are to support MPI to: (i) process sub-project applications; (ii) assist IAs with preparing applications, and with selecting consultants for sub-project preparation; and also monitoring progress of sub-project preparation activities during implementation; (iii) coordinate with other government agencies, and with the

Bank; (iv) providing status reports as required, including developing and maintaining the on-line monitoring system; (v) financial management support; (vi) procurement support; and (vii) assist prepare detailed task and costs for B3 and C. The Facility Support Consultants will be supplemented by individual experts as needed and subject to Bank approval.

**Subcomponent B.2: Project Preparation Capacity Support Services (US\$0.40 million)**

11. These services are designed to support overall capacity building for project preparation. The capacity support consultants (either individuals or a firm), under the direction of PCU, will provide targeted assistance to: (i) sub-project implementation agencies, both individually and collectively, to increase the capacity of these agencies to manage the preparation of projects in terms of both efficiency of preparation and quality of documentation; (ii) Vietnamese consultants and planning institutes in terms of the technical and safeguards aspects of sub-project preparation documents; and (iii.) workshops, internal and overseas training programs, and printing of workshop materials.

**Subcomponent B.3: Policy Support and Institutional Strengthening (US\$0.40 million)**

12. These services, to be utilized as required, will provide MPI, and other central government economic agencies such as the Ministry of Finance and the State Bank of Vietnam, with specialist support for improving the country's overall public investment project institutions and procedures, including support that arises from the work of the joint Government-Six Banks initiative. Activities may include: (i) preparing guidelines, workshops, printing and distribution of materials; (ii.) preparing strategies for international borrowing; and (iii.) study tours as necessary to support the development of government strategies and initiatives.

**Component C: Incremental Operating Costs and Project Management Expenses (US\$3.60 million)**

13. Component C includes US\$0.60 million credit funds to support MPI for: (i) conducting annual external audits; and (ii) purchasing minor equipment and facilities required to manage the Project. The GOV has allocated US\$3 million in counterpart funds (detailed in Annex 5) which will be applied to MPI's project management expenses. The IAs (during the application process) will prepare its requirements for government counterpart funding which will be applied to their sub-project management expenses. Credit funds will not be applied to operating expenses for any government agency and will only be applied to activities or expenses fully funded from the Credit only.

**D. Facility Project Cycle: Preparation, Credit Processing, and Supervision**

14. Figure 1 illustrates the project cycle for a sample infrastructure sub-project prepared through the *Facility*, and how it coincides with the processing of the sub-project investment financing, while ensuring the Bank's fiduciary and safeguards requirements are met.

15. IAs will be responsible for application and implementation of preparation activities financed through the Project (see Annex 6). The Bank sub-project task teams will ensure that the IAs carry out all preparation activities in accordance with Bank policies through normal systems of review and clearances.

16. In parallel, the Bank's sub-project task teams commence processing the sub-project financing, with the objective that the sub-projects be appraised as soon as the Bank has cleared all of the safeguards instruments developed during sub-project preparation.

**Table 2. Sub-component Costs (IDA portion)**

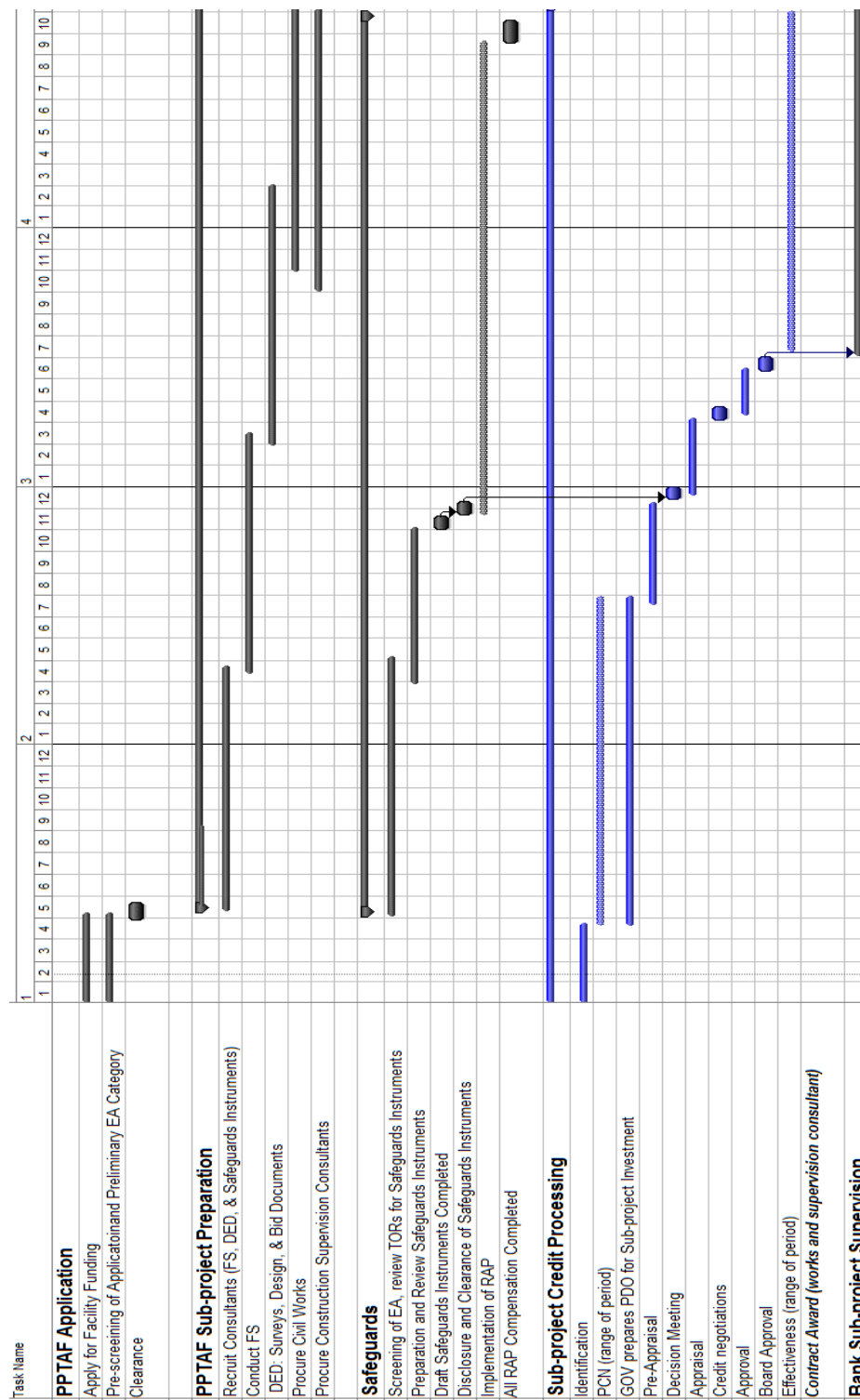
Component	Description	Estimated Cost (\$US millions) <sup>1</sup>
<b>A. Project Preparation Facility</b>	Implementation of all sub-project preparation activities, including sub-project management support for IAs	<b>94.70</b>
<b>B. Project Preparation Facility Support and Capacity Building</b>		<b>4.70</b>
B.1.1 Facility Support Services (firm)	Project Management, FM, Procurement, Safeguards, Technical Services, M&E, QA/QC, Complaints Handling, and Socialization	3.20
B.1.2 Facility Support Services to MPI (individuals, bridging assignment)	Project Management, FM, Procurement, Safeguards, Technical Services, M&E, QA/QC, Complaints Handling, and Socialization Support to MPI to enhance public investment institutions and procedures.	0.70
B.2 Project Preparation Capacity Support Services	To support overall capacity building for project preparation for MPI and sub-project IAs.	0.40
B.3 Policy Support and Institutional Strengthening	Targeted support for improving the country's overall public investment project institutions and procedures.	0.40
<b>C. Incremental Operating Costs and Project Management Expenses</b>	Audits and minor equipment	<b>0.60</b>
<b>Total</b>		<b>100.0</b>

<sup>1</sup> Including identifiable taxes of about US\$15 million equivalent

**Table 3. Estimated Disbursements (\$US millions, IDA)**

Component	FY 11	FY12	FY13	FY14	FY15	FY16	Total
A. Consulting Services	5.0	10.0	25.0	29.9	25.0	5.0	100.00
B. Goods, Equipment and Training	0.1	0.0	0.0	0.0	0.0	0.0	0.1
<b>Total</b>	<b>5.1</b>	<b>10.0</b>	<b>25.0</b>	<b>29.9</b>	<b>25.0</b>	<b>5.0</b>	<b>100.0</b>

**Figure 1. Sample Implementation Schedule for Infrastructure Sub-project**



## Annex 5: Project Costs

	Project Cost By Component and/or Activity	GOV	IDA	TOTAL
<b>A.</b>	<b>Project Preparation Support</b>	-	<b>72.70</b>	<b>72.70</b>
<b>B.</b>	<b>Project Preparation Facility Management and Capacity Building Program</b>	-	<b>4.70</b>	<b>4.70</b>
	B.1 Facility Support Services	-	3.90	3.90
	B.2 Project Preparation Capacity Support Services	-	0.40	0.40
	B.3 Policy Support and Institutional Strengthening	-	0.40	0.40
<b>C.</b>	<b>Incremental Operating Costs and Project Management Expenses</b>	<b>3.00*</b>	<b>0.60**</b>	<b>3.60</b>
	Total Baseline Cost	3.00	78.00	78.00
	Physical and Price Contingencies	-	7.00	7.00
	Identifiable taxes	0.00	15.00	15.00
	<b>Total Project Costs</b>	<b>3.00</b>	<b>100.00</b>	<b>103.00</b>
	<b>Total Financing Required</b>	<b>3.00</b>	<b>100.00</b>	<b>103.00</b>

\* Incremental operating costs under the Project are those costs incurred by the government on account of utilities and supplies, bank charges, communications, vehicle operation, maintenance, and insurance, office space rental and operational expenses, building and equipment maintenance, public awareness-related media expenses (including workshops, printing, and communications), travel and subsistence (both domestic and international), salaries of contractual and temporary staff, and expenses incurred by government staff for monitoring and evaluation activities.

\*\* Includes a provision for the cost of external auditing and provision of one utility vehicle (four wheel drive), computers, printers, office rental, and general office equipment and facilities. The IDA credit will not finance civil servant salaries, fees, honoraria, or bonuses.



## Annex 6: Implementation Arrangements

### A. Roles and Responsibilities

1. Summary Implementation. The Ministry of Planning and Investment (MPI), as project owner, will be the Executing Agency, and manage and coordinate the Project through its Project Coordination Unit (PCU). For each sub-project, the *Facility* will have an *Implementing Agency* (IA) with a dedicated Project Management Unit (PMU) which will be responsible for applying for funds, and procuring and managing all sub-project preparation activities required to prepare the investment. The Project includes funding for consultant resources to support MPI and the sub-project IAs to carry out all preparation activities.

2. The World Bank will be responsible for supervising the MPI's implementation of the Project. At the Project level, the Bank's *Project Task Team* will be responsible for: (i) supervision of activities implemented by MPI; and (ii) coordination of the Project internally between the various Bank *Sub-project Task Teams*. The Bank *Sub-project Task Team* will be responsible for supervision of the IAs' implementation of sub-project preparation activities – including identification of sub-projects, application review, and preparation of the subsequent investment financing.

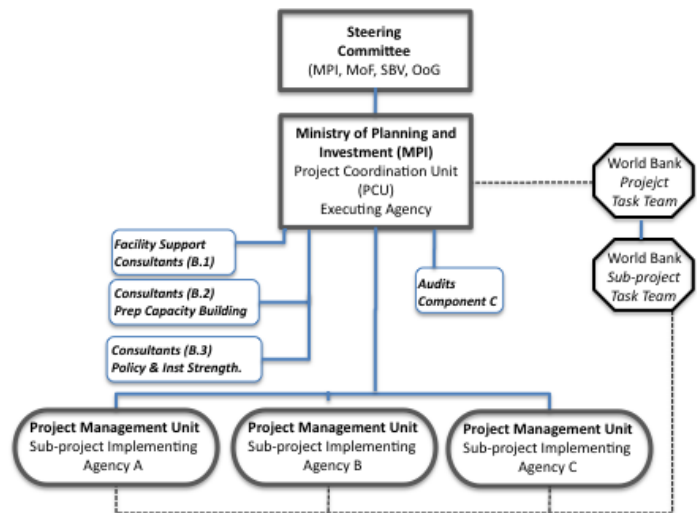
3. The roles and responsibilities of the Project participants are illustrated in Figure 1 and Table 1.

4. Steering Committee (SC). The Project will have a SC to ensure coordination and accountability during Project implementation. The SC will be chaired by the Vice Minister of MPI. Members of the SC will include the Ministry of Finance (MoF), the State Bank of Vietnam (SBV), and the Office of Government (OoG). The Bank will liaise with the SC.

5. MPI, as the Project owner and executing agency is responsible for project implementation and budget execution. MPI's overall role is to monitor, coordinate, and manage the Project; with appropriate quality assurance measures to ensure IAs comply with the POM and agreed schedules.

6. Project Coordination Unit (PCU). MPI will establish the PCU under its Foreign Economic Relations Department (FERD). MPI will appoint the Director, Deputy Director, Coordinator, a full time Chief Accountant, and staff of the PCU. The PCU will be responsible for project coordination and implementation – including procurement of consultants for

Figure 1. Implementation Arrangements



Components B and C, and the Project's financial management, monitoring and evaluation, overall quality assurance and safeguards compliance, and the Project's governance, transparency, and anti-corruption framework (see Annex 9). The PCU will have the right to: (i) procure international and domestic consultants as necessary for the Project; and (ii) establish a special account for the Project. MPI will procure and manage the Facility Support Consultants (FSC) who will assist the PCU in all of its responsibilities, and provide capacity building as required to the IAs.

**Table 1. Project Activities and Roles**

	<b>Executing Agency (MPI)</b>	<b>Implementing Agency (IA)</b>	<b>World Bank <i>Project Task Team</i></b>	<b>World Bank <i>Sub-project Task Team</i></b>
<b>Application for Facility Funds</b>	Reviews application package from IA. Clears the <i>Sub-project Proposal</i> , and <i>Sub-project Application</i> .	<i>Prepares the Sub-project Proposal, and Sub-project Application.</i>	Clears IA <i>Sub-project Application Proposal</i> , (following clearance from sub-project Task Team) submitted by MPI	Coordinates with IA on preparing the <i>Sub-project Proposal</i> , Reviews and clears <i>Sub-project Application Proposal</i> .
<b>Procurement</b>	Procurement of Facility Support Consultants  Procurement Support to IAs	Procurement of all sub-project consultant contracts	Supervision and clearance of procurement carried out by MPI	Procurement Capacity assessment of IA  Supervision and clearance of procurement by IA
<b>Financial Management</b>	Program Audits, Payment Verification of MPI managed components, & Consolidated IFRs	Sub-Project Audits Payment verification Sub-project IFRs	Supervision of MPI FM responsibilities	FM Capacity Assessment of Implementing Agency
<b>Safeguards</b>	Facility Compliance	Preliminary screening/scoping Inclusion of safeguards requirements in TORs Compliance for sub-project activity	Facility Compliance	All screening and scoping Review and clearance for all sub-project documentation and processes Compliance and supervision
<b>Contract Management</b>	For all contracts procured by MPI under the Project:  Project level QA/QC	For all contracts procured by the IA under the sub-project.  Sub-Project level QA/QC	Supervision/clearance of procurement of MPI contracts	Supervision/clearance of procurement of IA contracts
<b>Governance &amp; Accountability</b>	Implementation of G&A framework at Project level	Implementation of G&A framework at sub-project level	Supervision of MPI compliance with G&A framework	Supervision of IA for compliance with G&A framework
<b>Monitoring &amp; Evaluation</b>	Results monitoring Program reporting	Project reporting and results monitoring of sub-project activities	Supervision of MPI monitoring, overview of total facility monitoring	Supervision of IA monitoring
<b>Investment Loan Preparation</b>	Usual role during investment loan processing	Preparation of project for Government and Bank approval Prepares Government's Outline of ODA Investment for sub-project investment phase	No role	Preparation of project for Bank approval

7. The PCU will be responsible for screening and clearing proposals from IAs, based on *eligibility criteria* (highlighted in the *Sub-project Proposal*) and a simple check-list (contained in the *Sub-project Application Package*). Reflecting the objective of improving disbursements and readiness, MPI (in agreement with the Bank) may reduce or cancel allocations made to an IA if the use of funds is substantially delayed or poorly performing. The responsibility for preparation and implementation of individual sub-projects is with the IAs. The PCU is not responsible for authorizing or verifying IA transactions.

8. Implementing Agencies (IA) and IA Project Management Units (PMU). A sub-project IA, working through its Project Management Unit (PMU), is responsible for applying for facility funds, procurement of consulting services for implementing sub-project preparation, management of all contracts, and for preparing the subsequent investment loan. The IA PMU is fully responsible for ensuring funds are administered per the POM and according to the Bank's policies and guidelines, and is accountable for authorizing or verifying transactions of its sub-projects. The IA PMU will work closely with the Bank's *Sub-project Task Team* during sub-project preparation. The IA PMU may establish, if required, a designated account for its component.

9. World Bank. The Bank will supervise MPI and the IAs' implementation of the Project/sub-projects. Responsibility for the overall Project is with the *Project Task Team*, while the *Sub-project Task Team* is responsible for management and supervision of the IA activities carried out under the Project. The roles of the respective Bank and GOV teams are highlighted in Table 1.

10. At the Project level, the Bank's *Project Task Team* will support and supervise:

- (a) MPI's execution of the Project, including clearances for all consultant activities managed by MPI;
- (b) MPI to ensure that the Project is compliant with fiduciary requirements;
- (c) portfolio-wide monitoring and evaluation; and
- (d) all supervision missions.

11. At the sub-project level, the *Bank Sub-project Task Teams* are responsible for supervision to prepare the investment and supervise all of the IA's preparation activities, including:

- (a) supervision of all activities (capacity assessments, technical guidance, FM, procurement, safeguards, quality assurance and quality control, M&E, etc) carried out by the IA;
- (b) technical and quality review of all GOV deliverables;
- (c) progress reporting to the Bank Project Task Team; and
- (d) preparation of the subsequent sub-project investment.

12. Ministry of Finance (MoF). MoF will provide guidance on regulations on financial management, approve the withdrawal applications made by MPI and the IAs for disbursement from the Project credit, assign staff to work with the Bank as members of the mid-term review mission, and has overall responsibility for the eligible FM activities of the Project under the roles and functions of MoF.

13. State Bank of Vietnam (SBV). SBV will: (i) advise on an IA's selection of a commercial bank for the sub-project designated account; and (ii) summarize semi-annual and annual reports on withdrawal and disbursement through designated accounts and report on the progress of implementation.

14. Consultants to MPI. The *Facility Support Consultants (FSC)* will be recruited under Component B. All consultants under Component B will report to, and support MPI's (through the PCU) management of the Project. The primary scope of work includes support for: (i) screening sub-project applications; (ii) monitoring and evaluation; (iii) financial management; (iii) procurement guidance to the IAs; (iv) portfolio management/quality assurance; and (v) preparation of a capacity building program to be implemented under Sub-components B-2 and B-3. Consultants with international experience will be required to set up management and operations systems, provide guidance to IAs on international recruitment/procurement and safeguards, and other strategic tasks. The FSC team will be recruited by MPI under procedures for a firm, to span between credit effectiveness and the engagement of the FSC, MPI will mobilize a team of individual consultants to support Project operations. Sub-components B-2 and B-3 will include consulting services (individual or firms) to support MPI to implement: (i) capacity building programs targeting IAs; and (ii) for policy support and institutional strengthening.

15. Within 12 months of credit effectiveness, and thereafter maintained throughout Project implementation, the FSC team will be engaged. This team will include a project management specialist, an accountant, a financial management specialist, a procurement specialist, an environmental specialist, and a social development specialist, all with qualifications, experience, and terms of reference satisfactory to the Bank.

16. During the interim period, between Project effectiveness and mobilization of the FSC, a team of individual consultants will be mobilized to support MPI. The team will include a chief advisor, a deputy chief advisor, a coordinator, an accountant, a financial management specialist, an environmental specialist, a social development specialist and a procurement specialist, all with qualifications, experience, and terms of reference satisfactory to the Bank. The team will be appointed within one month of credit effectiveness and thereafter maintained until appointment of the facility support consultants. The consultants, when required, may also help identify and prepare the sub-projects with the IAs. Throughout the period of the Project, the PCU will mobilize a coordinator to support the PCU's management and coordination tasks, and to have an oversight role with the consultant teams. The government may supplement the consultants with positions funded from counterpart funds, as necessary, under contracts that will not receive any Credit funds.

17. Consultants to IAs. Implementing agency PMUs will recruit and manage consultants (firm and individual) for all sub-project preparation and support.

## **B. Identification, Application, and Approval**

18. The Screening and Selection process is described in Table 2, and illustrated in Figure 2. The first step is completion by the IA of a *Sub-Project Proposal*. MPI will periodically, as needed, send a *List of Project Proposals* to the Minister of MPI for approval. The Minister's clearance authorizes MPI to approve sub-project preparation. MPI will then authorize, the IAs (whose sub-projects were approved) to prepare a *Sub-project Application*, which includes an *Appraisal Checklist* (see paragraph 13). MPI will review and clear the *Sub-project Application* and submit to the Bank for its no-objection. Once cleared by the Bank, MPI will authorize the IAs to commence preparation of the sub-projects.

19. While the sub-projects are being prepared, the respective IAs will prepare the Government's Outline of ODA Investment (PDO)<sup>7</sup> for each subsequent sub-project investment project for the Prime Minister's approval.

20. The Sub-Project Proposal will contain basic information to confirm the proposed sub-project would meet the eligibility criteria, and be a possible candidate for Project financing support. The *eligibility criteria* include:

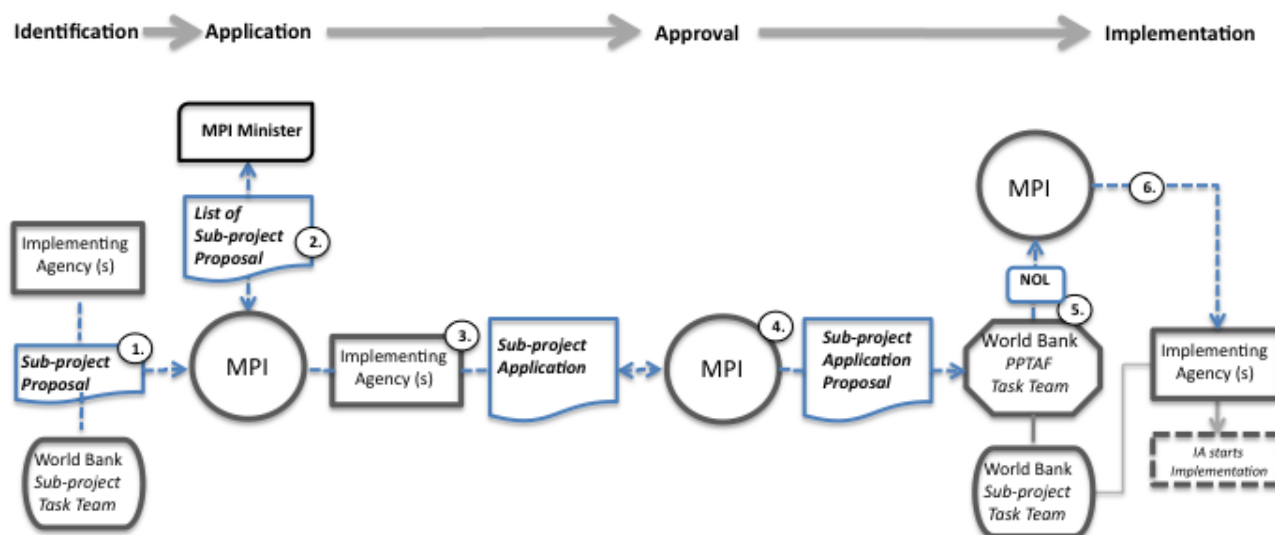
- (a) The candidate sub-project is listed in the Bank's CPS or the Government's ODA list – subject to agreement by the Bank and GOV;
- (b) For projects not in the CPS, the Bank's approval to MPI conditional on inclusion of the sub-project in the next CPS or update; and
- (c) For sub-projects that the Government considers to be high priority, but which are not yet reflected on the ODA list to in the CPS, the Bank may agree through an exchange of letters with MPI that the sub-project is eligible.

21. The Sub-project Application will (refer to Figure 2 and Table 2) set out information on the sup-project to be prepared, and the financing required for preparation (including IA's own counterpart funds for the IA's own implementation costs). Information to be detailed on the proposed sub-project will include: objectives, investment components, estimated costs, preliminary screening and scoping of safeguards, preliminary financial/economic analysis, preliminary implementation schedule, and readiness indicators. Information to be detailed in the project preparation request will include brief summary TORs for consultants, procurement packaging, costs, implementation schedule, and sub-project IA PMU readiness. The financing plan will clearly separate activities or expenses to be funded entirely by the Credit from those funded from other sources, which will not receive any Credit funds. A *Sub-project Pre-appraisal Checklist* will be prepared (as part of the *Sub-project Application*) and will include the Bank Sub-project Task Team procurement and FM capacity assessments of the sub-project PMU, and provide preliminary inputs on safeguards.

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<sup>7</sup> The Government's Project Detailed Outline (a.k.a. 'PDO') will provide sufficient information on a proposed sub-project for MPI to obtain the Prime Minister's approval to proceed with its preparation. A separate Project Detailed Outline will be required for the ensuing investment project.

**Figure 2. Application Process**



**Table 2. Sub-project Application Process**

Step		Output
1.	The Implementing Agency, MPI, and the Bank sub-project task team coordinate on the proposed sub-project. The Implementing Agency prepares a Sub-project Proposal to initiate the application process with MPI.	<i>Sub-project Proposal</i>
2.	MPI submits (periodically, as required) a <i>List of Sub-project Proposals</i> to the MPI Minister for review and approval. Upon approval, MPI can authorize an IA to proceed with its application. MPI screens the sub-project for eligibility.	<i>List of Sub-project Proposals</i>
3.	IA prepares Sub-project Application (which includes the pre-appraisal Checklist) and submits to MPI for review and clearance.	<i>Sub-project Application</i>
4.	Upon approval, MPI submits to the Bank the <i>Sub-project Application</i> and request to approval for proposed preparation activities.	<i>Approved Sub-project Application for Bank Review</i>
5.	The Bank's Project Task Team reviews the approved <i>Sub-project Application</i> together with the Bank Sub-project Task Team. Following clearance from the Bank Sub-project Task Team, the Bank Project Task Team provides its no objection to MPI.	<i>NOL to MPI</i>
6.	MPI clears the IA to commence sub-project preparation.	<i>Clearance to IA to start preparation activities.</i>

## **Annex 7: Financial Management and Disbursement Arrangements**

### **A. Country Issues**

1. The 2007 Country Financial Accountability Assessment (CFAA) determined that the financial management risk of improper use, control and reporting of funds that are managed through the Vietnam public financial management systems is Moderate. The public accounting system and financial management arrangements are well-documented and regulated, but financial management risks arise from gaps and overlaps in the systems, and more particularly, risks arise from weaknesses in implementation and compliance gaps. The CFAA found that key challenges in the Public Financial Management (PFM) systems remain in the areas of: (i) expanding budget coverage in line with internationally accepted norms; (ii) implementing the new government Chart of Accounts and the Treasury and Budget Management Information System with strengthened internal controls (including internal audits) and streamlined business processes; (iii) implementing more comprehensive accounting and timely financial reporting based on internationally recognized standards and practices; and (iv) expanding audit coverage and quality, and legislative oversight of PFM. Strengthening strategies and implementing action plans to enhance capacity and accountability for public financial management in line ministries and agencies at all levels of government is a priority area for action.

2. Many developments and reforms in PFM such as streamlining of business processes, strengthening of expenditure and revenue internal controls, and enhancing monitoring and oversight of budget development and execution are in progress, and a gradual strengthening of PFM is taking place. The PFM reforms are having a positive impact on the overall PFM environment, but specific improvements in systems have not yet led to full integration of official development assistance (ODA) into the overall PFM framework. The priority is for substantive implementation of the improvements and enhancements that have been and are being progressively introduced through legislative reforms and development work in recent years.

### **B. Risk Assessment and Mitigation**

3. The overall financial management risk of the Project is assessed as ***Substantial both*** before and after mitigating measures.

<b>Risk</b>	<b>Risk Rating</b>	<b>Risk Mitigation Measures Incorporated into Project Design</b>	<b>Residual Risks</b>
<b>Inherent Risk</b>			
Country level: Overall Fiscal Environment	Moderate	Capacity building in MTEF and budgeting, implementation and monitoring, commitment control and debt management;	Moderate
Entity and Project level: the PCU may not have necessary/experience in similar work/capacity to implement the Project	Moderate	(i) Project Implementation Manual containing a comprehensive Financial Management Guidance/ Manual will be developed; (ii) Staffing with acceptable background and experiences will be appointed; (iii) Training on project management and financial management will be delivered.	Moderate
Entity and Project level: non-clarified implementation arrangement causing delays in implementation and payments	Substantial	(i) Project Implementation Manual containing a comprehensive Financial Management Guidance/ Manual will be developed; (ii) Training on project management and financial management will be delivered.	Substantial
Entity and Project level: sub-projects may not have the necessary capacity to implement the Project	Substantial	(i) Project Implementation Manual containing a comprehensive Financial Management Guidance/ Manual will be developed; (ii) Only sub-projects that meet qualification criteria (including financial and operation qualifications) will be allowed to participate. (iii) Training on project management and financial management will be delivered to IAs. (iv) Support from PCU will be provided to sub-projects in terms of project management and implementation.	Substantial
<b>Overall Inherent Risk</b>	<b>Substantial</b>		<b>Substantial</b>
<b>Control Risk</b>			
1. Budgeting: Un-clarified procedures may cause delayed approval of budget slowing down implementation.	Substantial	(i) Budget setting and approval will be decentralized to Implementing Agencies; (ii) Comprehensive procedures of budgeting will be set up in FMM.	Moderate
2. Funds Flow: Un-clarified procedures may cause delayed disbursement to sub-projects.	Substantial	Procedures of fund flow would be provided in the FMM, where in certain cases, payments would be allowed to be made directly to contractors of IAs to speed up payments. IAs retain the roles of authorizing their expenditure which will be verified by Verifying Agency	Substantial
3. Staffing Staff of sub-projects may not have FM capacity.	Substantial	(i) Appointment of FM staff with adequate FM capacity is eligibility criteria for sub-projects; (ii) Comprehensive FM guidance will be set up in FM manual; (iii) FM training delivered to FM staff of sub-projects is eligibility criteria.	Substantial
4. Accounting Policy & Procedures	Moderate		Moderate
5. External Audit	Low		Low
6. Reporting & Monitoring	Moderate	Financial reporting following templates of the Aligned Monitoring Tools will be used.	Moderate
8. Information Systems	Moderate	Simplified spreadsheet system will be developed and used.	Moderate
<b>Overall Control Risk</b>	<b>Substantial</b>		<b>Substantial</b>



## C. Strengths and Weaknesses

### *Strengths*

4. No significant strengths noted.

### *Weaknesses*

- i. FM staff of PCU and IAs have variable capacity. Some do not have adequate FM background and relevant experiences with donors and World Bank financed project inexperienced; and
- ii. There are lack of relevant procedures and guidance for project implementation and management.

## D. FM Action Plan

Action	Responsibility	To Be Completed By
<u><i>I- Project Financial Management Manual (FMM)</i></u> An FMM based on the Standard Financial Management Manual(*) has been developed and adopted by the Project	PCU	Adoption of FMM by PCU and identify, and negotiate contracts with, a financial management specialist by Effectiveness. Adoption and training of FMM contents for IAs as eligibility criteria
<u><i>II- Staffing</i></u> FM staff with acceptable qualification and experience have been appointed by PCU/ IAs.  Training on FM delivered to FM staff	PCU and IAs	Negotiation for PCU Eligibility criteria for sub-projects
<u><i>III- Training</i></u> Training to FM personnel of PCU is conducted  Training to FM personnel sub-projects conducted	PCU and IAs	PCU: 31 December 2010  IAs: Eligibility criteria
<u><i>IV- Other</i></u> A spreadsheet for recording funds received and uses of funds developed	PCU	31 December 2010

(\*) The Standard Financial Management Manual is the Manual jointly developed by the Bank and Ministry of Finance for the projects financed by the Bank in Vietnam.

#### D. Implementation Arrangement

5. MPI as the Project owner and executing agency is responsible for monitoring, coordinating, and managing the Project.

Agency	Roles and responsibilities toward FM
New, dedicated PCU, without prior experiences established under MPI	<p>i. Coordination and providing support to Implementing Agencies in term of Financial Management;</p> <p>ii. Responsible for Financial Management of the Component B of the Project;</p> <p>iii. Responsible for: (i) managing the Designated Account for the entire Project; (ii) preparing Project quarterly interim financial reports and annual financial statements; (iii) arranging for annual audits; (iv) providing support and guidance to Implementing Agencies by developing and disseminating the FMM and training and other supports to IAs; and (v) making payments to IAs's contractors in a number of instances (refer to <b>Section 9- Fund flow</b>).</p> <p>iv. PCU is <b>NOT</b> responsible for authorizing or verifying transactions of Sub-projects which are the responsibilities of IAs.</p>
Implementing Agencies through the sub-project project management team/ units	Fully responsible and accountable for financial management of the sub-components <i>except for</i> audit arrangement which will be done by PCU.

#### E. Staffing

6. Project Coordination Unit. FM staff of the preparation team have been appointed who have adequate accounting background but lack of relevant experiences of donors and World Bank financed projects. Acceptable FM staff of PCU needs to be confirmed by Negotiation. Job descriptions of FM staff will be provided in the FMM and FM training (on project Financial Management and WB requirements of FM and disbursement) for FM staff of PCU must be conducted by **31 December 2010 (refer to FM action table)**.

7. Implementing Agencies. FM staff with adequate accounting background and experiences must be appointed for sub-project financial management which will be set as one of eligibility criteria (**refer to FM action table**).

#### F. Budgeting

8. Specific budgeting procedures for this Project would follow the ones set in **the FMM (refer to the FM action plan)**, where: (i) the disbursement plan by sub-project/ contract should be prepared quarterly by each IA and based on the implementation status; (ii) the plan of each IA will be consolidated by the PCU; and (iii) the variance analysis will be performed at both IA and PCU levels, which will be included in the quarterly financial reporting and progress reports. IA will also keep track of commitments and PCU will be responsible for the consolidated figures of the Project.

## **G. Accounting system**

9. The accounting system including accounting policies and procedures will follow the Accounting System for Administrative Entities (based on the Decision 19 of MOF). The chart of Account will be modified to fit with the Project's operations. All those will be detailed in the FMM (*refer to the FM action plan*).

10. Given the simplicity of payments, no accounting software is considered necessary. Instead a system of spreadsheets will be developed to record funds and uses of funds of the Project (*refer to the FM action plan*). This spreadsheet will be used by PCU and IAs. At IAs, if IA has computerized accounting system then the system will be used for accounting and reporting if the system is assessed (by the Bank) as being acceptable.

## **H. Internal Controls**

11. PCU and IA management are responsible for ensuring that an adequate internal control framework and internal controls are in place and operating.

12. Internal controls that include: (i) established clear defined Financial Management responsibilities, supervision, monitoring and reporting structures; (ii) observed the segregation of duties; (iii) defined and documented financial processes and procedures; (iv) set up adequate management reporting, including analysis of variances and findings with monthly and quarterly reporting to the Board of Management; and (v) set up proper procedures and documentation retention should be set up in FMM (*refer to the FM action plan*).

## **I. Financial management anti-corruption measures**

13. To continue to strengthen the financial management arrangements for the Project and to help further reduce the risk of fraud and corruption, particular emphasis during preparation has been given to the financial management arrangements in the following areas. Supervision will also focus on them.

- i. Clear FM responsibilities with avoidance of gaps and overlaps and clearly delineated roles and responsibilities for FM personnel included in the FMM;
- ii. Adequate FM capabilities with training in financial management and reporting;
- iii. Integration of financial monitoring reports with Contract Progress reports; and
- iv. Enhanced disclosure and transparency of financial information (such as publishing of sub-projects awarded, financial reports and audited financial statements in the website of the MPI).

Please see the Annex 9 on Governance, Transparency and Anti- Corruption for more information.

## **J. Funds flow arrangements**

The Borrower may withdraw the proceeds of the Credit, in accordance with the provisions of the Financing Agreement, and instructions given in the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time, to finance 100% (inclusive of taxes) of eligible expenditures, consisting of goods, non-consulting services, consultants’ services (including for audits), training, sub-project financings, and operating costs<sup>8</sup> in relation to the Interim Facilities Support Consultant.

## **K. Disbursement Methods**

14. The Project will use the following disbursement methods:

- *Reimbursement.* The Bank may reimburse the Borrower for expenditures eligible for financing pursuant to the Credit Agreement (“eligible expenditures”) that the Borrower has pre-financed from its own resources;
- *Advance.* The Bank may advance loan proceeds into a designated account of the Borrower to finance eligible expenditures as they are incurred and for which supporting documents will be provided at a later date; and
- *Direct Payment* - The Bank may make payments, at the borrower’s request, directly to a third party (e.g., supplier, contractor, and consultant) for eligible expenditures.

15. The Disbursement Deadline Date will be four months after the Closing Date of the Project.

16. Designated Accounts and Ceiling. A Designated Account (DA) in US dollars will be maintained by the PCU at a commercial bank under terms and conditions acceptable to IDA. The DA will have an authorized allocation of US\$5,000,000.

17. Reporting. Withdrawal applications (WA) reporting eligible expenditures paid from the designated account will be submitted monthly, with the following documentation:

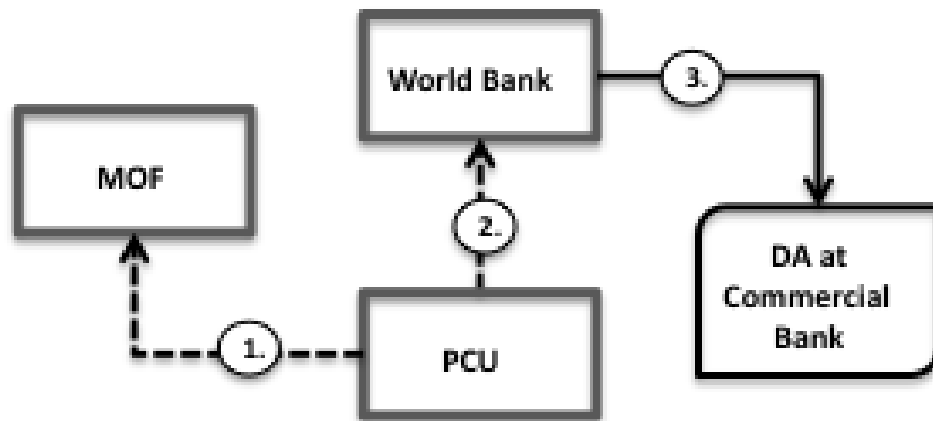
- *Use of Statement of Expenditures (SOEs).* For: (a) goods costing less than \$100,000 equivalent per contract; b) for services of individual consultants costing less than \$50,000 equivalent per contract; (d) for services of consulting firms under contracts costing less than \$100,000 equivalent per contract; and (e) workshops, training and incremental operating costs, withdrawals under the Credit Agreement will be made on the basis of Statements of Expenditure. The related payment documents will be made available for the required audits, as well as to the Bank supervision missions upon request.
- *Other Expenditures.* All other expenditure above the SOE thresholds will be submitted on the basis of full documentation which will include copies of receipts, supplier invoices and bills of lading.

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<sup>8</sup> Including the provision of one utility vehicle (four wheel drive), computers, printers, office rental, and general office equipment and facilities.

18. *Application for Advances.* The PCU may apply for an initial advance in an amount up to the Ceiling of the authorized amount. Subsequent withdrawal applications to replenish the designated account may be made less the aggregate amount of those advances previously received for which it has not yet provided supporting documentation. Additional instructions will be detailed in the Disbursement Letter.

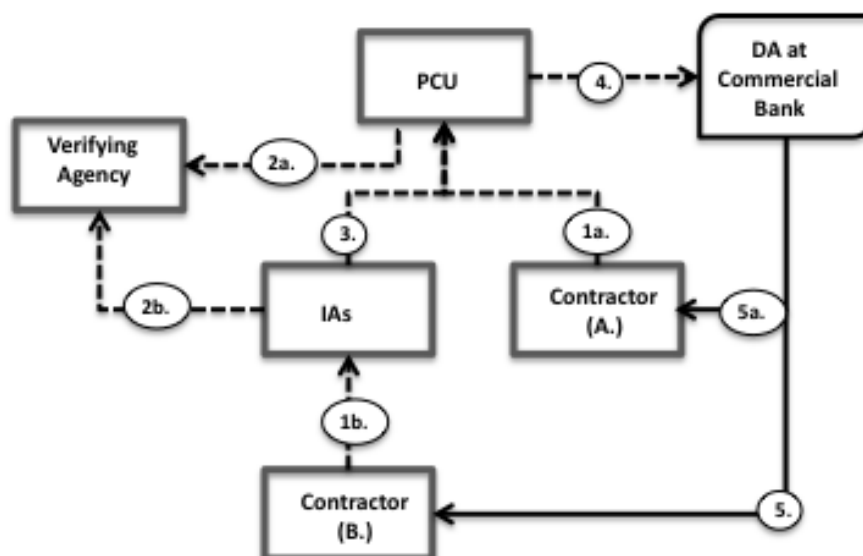
**Table 1. Funds flow diagram from the Bank to the PCU**



1. PCU prepares the WA and send to MOF- Debt Management and External Finance Department for co-signature;
2. PCU submits WA to IDA; and
3. IDA disburses monies to the PCU's DA at a commercial bank.

**Table 2. Funds flow diagram for payments made by PCU to contractors**

Note: This diagram applied for payments made by PCU to its contractors and the contractors of IA. Payments to contractors of IAs will be made directly from PCU in cases (i) the IA has less than 3 contracts and/or (ii) the value of payment exceeding a Threshold Amount (\*).

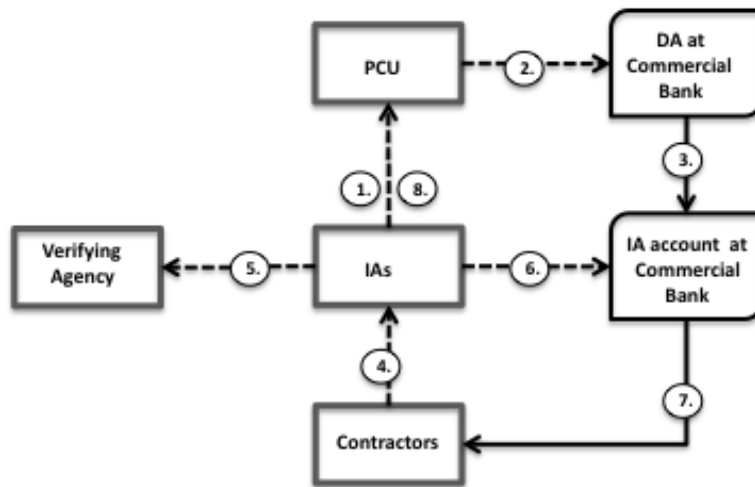


1. Contractors submit request for payments to PCU (1(a)) and to IA (1(b));
2. PCU submits request for payment and supporting documentation to its Verifying Agency (2(a)) and IAs submits request for payment and supporting documentation to their Verifying Agencies (2(b));
3. IAs submit request for payment to PCU;
4. PCU instructs its commercial bank to make payments; and
5. Commercial bank makes payments to contractor of PCU in (5(a)) and contractors of IAs in (5(b)).

(\*) A Threshold is established in the FM Guidance

**Table 3. Fund flow diagram for the payments made by IAs to their contractors using advance mechanism**

Note: This diagram applied for payments made by IAs to their contractors. Payments to contractors of IAs will be made by IAs if (i) the IA has more than two contracts and (ii) the value of payment below a Threshold Amount(\*).



1. IAs submit request for advance to PCU;
2. PCU instructs Commercial Bank to transfer advances to IAs' accounts at Commercial Bank;
3. PCU's Commercial Bank transfer funds to IAs' account at Commercial Bank;
4. Contractors submit request for payments to IA;
5. IAs submits request for payment and supporting documentation to their Verifying Agencies;
6. IAs instruct its commercial bank to make payments;
7. Commercial bank make payments to contractors; and
8. IAs submit supporting documentation clearing the advances received from PCU.

## **L. Financial Reporting**

19. Quarterly Interim Financial Reports (IFRs). For this Project, each sub-project will be required to submit to PCU a quarterly IFR within 30 days of the end of the quarter. The PCU will prepare and submit a consolidated IFR for the Project within 45 days of the end of the quarter. The IFRs, which are unaudited, will cover all Project activities, including counterpart funding. The IFRs will be based on the Aligned Monitoring Tool (AMT), which is regulated under the Decision 803 of the Ministry of Planning and Investment.

20. The IFRs include the following forms (with the reference number as indicated in the AMT package).

*Financial reports (analyzing expenditures against budgets)*

- IFR1: Sources and Uses of Funds by expenditure category;
- Form 4: Disbursement of ODA Fund (by component/loan contracts);
- Form 6: Disbursement of Counterpart Fund (by component); and
- IFR3: Statement of Designated Account Reconciliation (for component of PMB only).

*Contract monitoring reports (for component of PCU only)*

- Form 12: Contract Progress; and
- 11 Forms (Form 7- Form 11): Reports on Procurement Monitoring.

21. Annual Project Financial Statements. Each sub-projects will prepare annual financial statements covering the Project components and activities for which they are responsible. The financial statements must be prepared on a modified cash basis in accordance with generally accepted accounting principles. PCU will consolidate the annual financial statements of the whole Project.

22. The Project Financial Statements will consist of:

- (a) A Statement of Sources and Uses of Funds / Cash Receipts and Payments that recognize all cash receipts, cash payments and cash balances controlled by the entity; and separately identify payments by third parties on behalf of the entity;
- (b) The Accounting Policies Adopted and Explanatory Notes. The explanatory notes should be presented in a systematic manner with items on the Statement of Cash Receipts and Payments being cross referenced to any related information in the notes. Examples of this information include a summary of fixed assets by category of assets, and a schedule of credit / grant withdrawals, listing individual withdrawal applications; and
- (c) A Management Assertion that Bank funds have been expended in accordance with the intended purposes as specified in the relevant legal agreements (Financing Agreement and Subsidiary Loan Agreement).

23. The annual Project financial statements are required to be audited and submitted to the Bank within 6 months of the end of each financial year.

## **M. Audit Arrangements**

24. The PCU will appoint independent auditors acceptable to IDA. The Project consolidated financial statements will be audited annually in accordance with international auditing standards and acceptable terms of reference. The auditors' reports will be made available to IDA within six months of the close of the fiscal year. Each audit report will have a single audit opinion covering the Project Financial Statements and Designated Account (including adequacy of SOEs for disbursement purposes). The auditor will also provide a management letter addressing internal control weaknesses of the implementing agencies.

## **N. Supervision Plan**

25. The supervision strategy for this Project is based on its FM risk rating, which will be evaluated on regular basis by the FMS and in consultation with relevant task team leader. In view of the Substantial overall FM risk, there will be two on site FM visits for implementation support coupled with desk reviews of quarterly unaudited IFRs and annual audited financial statements.



## **Annex 8: Procurement Arrangements**

### **A. General**

1. Procurement for the proposed Project would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004, revised in October 2006 (the Procurement Guidelines); and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, revised in October 2006 (the Consultant Guidelines), and the provisions stipulated in the Financing Agreement. The general description of various items under different expenditure category is described below. For each contract to be financed by the IDA Credit, the different procurement methods or consultant selection methods, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank Project team in the Procurement Plan. The Procurement Plan that has to cover all the sub-projects will be updated at least every 6 months or even quarterly depending on the actual Project implementation progress.

2. **Procurement of Works:** N/A

3. **Procurement of Goods:** The Project would finance a limited amount of goods and equipment for project management purpose (computers, printers, office equipment, utility vehicle, etc). Goods and equipment that are readily available off-the-shelf goods of small value (less than US\$50,000 equivalent per contract) would be procured using Shopping procedures. If a need is identified for the procurement of specialized goods and equipment that meet the criteria set forth in paragraph 3.6 of the Bank's Procurement Guidelines may be procured on Direct Contracting basis subject to the Bank's prior concurrence.

4. **Selection of Consultants:** The Project will primarily finance consulting services. These services are mainly feasibility studies and detailed designs, but will also include: (a) scoping and prioritization of project concepts; (b) strategic options studies; (c) all safeguards instruments; (d) surveys and tests; (e) design for policy work; (f) preparation of terms of reference for consulting services to implement the sub-project; (g) managerial and financial management support; (h) procurement supports; (i) preparing Operations Manuals; (j) training and workshops; and (k) preparation of documentation to prepare a sub-project under public-private partnerships arrangements, and other activities agreed between the Borrower and the Bank. In procurement of these consulting services, Quality and Cost Based Selection (QCBS) would be considered first. Where QCBS is not suitable, other selection methods including QBS, LCS, CQS and Individual Consultants may be used subject to nature and values of specific assignments. In exceptional circumstances as described in paragraph 3.10 of the Bank's Consultant Guidelines, Single Source Selection may be used subject to the Bank's prior agreement. The Bank's Standard Request for Proposals will be used in selection of consultants (firms). The shortlist may comprise entirely national consultants if the estimated cost of the assignment is below US\$200,000, a sufficient number of qualified firms are available for having a shortlist of firms with competitive costs and when competition including foreign consultants is prima facie not justified or foreign consultants have not expressed interest.

## **B. Assessment of the agency's capacity to implement procurement**

5. Procurement under the proposed Project would be carried out by Ministry of Planning and Investment (MPI), and the respective line ministries (including Ministries of Transport, Agriculture and Rural Development, and Construction, Health amongst others) at national, provincial or city level. A project coordinating unit (PCU) will be established within MPI and this PCU will be responsible for overall project management and coordination, and implementation of procurement of components for which it will have direct responsibility. For other participating ministries/provinces, an implementing agency (IA) with a Project Management Unit (PMU) will be established for implementation of their respective sub-projects. While some of the project ministries and provinces have had experiences with World Bank procurement, through implementation of Bank-financed projects, the specific organization and staffing of the PCU and the PMU to be formed in each IAs for the implementation of Project procurement has as yet to be decided pending for their establishment. According to Bank experiences, there has been an inconsistency in application of the Bank's Procurement Guidelines in practice as implementing agencies tend to following national procurement regulations. In addition, inaccurate cost estimates for consulting services, conflict of interest, poor English skills of procurement staff, mechanical evaluation of technical proposals and protracted selection processing and weak contract management are also common weaknesses. The procurement risk is accordingly rated as "High". To mitigate the identified risk and strengthen the procurement performance and capacity of both the sub borrower, at national, provincial or city levels, and in the central PCU, the following specific mitigation measures have been proposed, discussed and agreed with the Borrower. After these measures are taken, the Project's procurement risk is expected to reduce to "Substantial".

- (a) The Borrower shall officially establish all Projects implementing agencies (PCU at MPI, and IAs with a PMU at all other anticipated sub-project ministries and provinces) adequately staffed with key staff including at least one procurement specialist with relevant procurement experience and qualifications in each agency. Timing: the PCU at MPI will be established by Credit effectiveness. For sub-project IAs, PMUs will be established as a requirement for approval of the sub-project application package by the Bank;
- (b) The MPI's PCU will hire a qualified consultant to oversee, support and monitor procurement performance of both the PCU and the PMUs. Timing: within three months of Credit effectiveness.
- (c) Each participating IA will be supported by the PCU's procurement consultant for preparation of TOR, cost estimates, RFPs, bid evaluation, etc, for its own sub-project. To enable PMUs to prepare realistic cost estimates of consulting services, a database of prices based on past contracts is advisable to establish by each PCU/PMU. Timing: to be determined by each PMU depending on actual need;
- (d) Intensive procurement training would be provided with support from the PCU for Project procurement staff/evaluation committees' members in the PMUs. The training should be customized on selection of consultants, especially QCBS procedures. Timing: The first training by the Bank team is planned to be done at the Project launching workshop. More training workshops will be done by the PCU with the Bank team's support during Project implementation depending on actual need;

- (e) As part of the Project Operation Manual (POM), the Borrower will prepare a Corruption Risk Matrix that will set out mitigation measures (including those to improve fairness and transparency in procurement) to be followed by the PCU and all IAs. Timing: by Credit effectiveness.

### **C. Procurement Plan**

6. The Borrower has prepared a procurement plan for the initial 18 month period of the Project covering the first 4 operations which have been agreed with the Bank at the time of negotiations. This Procurement has been reviewed and agreed with the Bank team. This Procurement Plan has been reviewed, discussed and agreed between the Borrower and the Bank team. The agreed Procurement Plan will be kept in the Project's database and published in the Bank's external website. This Procurement Plan would be modified and updated to reflect any new operations that are agreed during the first 18 months of the Project implementation. The Procurement Plan that has to cover all the sub-projects will be updated at least every 6 months or even quarterly depending on the actual Project implementation progress. Each PMU shall be responsible for keeping its own procurement plan that should be updated regularly and information transmitted to the PCU for the purpose of the consolidated procurement plan. The Borrower will be required to submit, on a quarterly basis, a consolidated procurement monitoring report to the Bank as part of Harmonized Monitoring Report (HMR). The report should include the status of implementation of the procurement plan as well as information on contract progress and expenditure.

### **D. Bank Prior-Review and Frequency of Procurement Supervision**

7. The following contracts shall be subject to prior-review by the Bank:

- (a) All contracts with consulting firms estimated to cost \$100,000 equivalent or more per contract;
- (b) All contracts with individuals for procurement support; and
- (c) All goods contracts awarded on Direct Contracting basis and all consultants' contracts awarded on Single Source Selection basis.

8. It is recommended that procurement supervision be carried out at a 12 month interval including a procurement post review of at least 20% of the post-reviewed contracts under each sub-project.

## **Attachment 1: Details of the procurement arrangements involving international competition**

### **1. Goods and Works and non-consulting services.**

- (a) List of contract Packages which will be procured following ICB method and direct contracting: None
- (b) All ICB and Direct Contracting Contracts will be subject to prior review by the Bank.

## **2. Consulting Services.**

- (a) List of Consulting Assignments with short-list of international firms.  
Please see attached table
- (b) Consultancy services estimated to cost above US\$100,000 equivalent per contract and all contracts procured through Single Source Selection will be subject to prior review by the Bank.
- (c) Shortlists of consultants for services estimated to cost less than US\$200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

**Table 1. Project Preparation Technical Assistance Facility Project:  
List of Consulting Assignments with Short List of International Firms**

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost- \$US (million)	Selection Method	Review by Bank (Prior / Post)	Expected Proposals Submission Date	Comments
MPI.02	Facilities Support Services Unit (subcomponent B.1)	5.0	QCBS	Prior (RPM clearance required)	October 2010	
MPI.03	Capacity Building Support Services Coordinating Consultant (sub component B.2)	0.75	QCBS	Prior	June 2011	
MPI.05	External Financial Audit	0.5	QCBS	Prior	March 2011	
LC.01	Medium & Small Cities Development: Lao Cai City Development Prog: Update F/S, DED & BD	1.5	QCBS	Prior	Jan 2011	
VC.01	Medium & Small Cities Development: Vinh City Development Prog: Update F/S, DED & BD	1.5	QCBS	Prior	Jan 2011	
PH.01	Medium & Small Cities Development: Phuly City Development Prog: Update F/S, DED & BD	3.0	QCBS	Prior (RPM clearance required)	Jan 2011	
MARD.01	Mekong Water Management RDP: Water Resource & Investment Plan Preparation	2.0	QCBS	Prior	Jan 2011	
MARD.02	Mekong Water Management RDP: Cai Lon/Cai Be Sea Sluice Update F/S, DED & BD	0.5	QCBS	Prior	Jan 2011	
MARD.03	Mekong Water Management RDP: Flood Control & Coastal Protection Update F/S, DED & BD	4.5	QCBS	Prior (RPM clearance required)	Jan 2011	
MARD.04	Mekong Water Management RDP: Water & Sanitation: Update F/S, DED & BD	0.3	QCBS	Prior	Jan 2011	
MARD.05	Mekong Water Management RDP: Project Man Unit Support	0.2	QCBS	Prior	Jan 2011	
MoH.01	Hospital Waste Management Project: Sub Grant Facility Prep & Man Team	0.25	QCBS	Prior	Jan 2011	
HCMC.01	Urban Water Supply and Waste Water (WWTP for NL-NT-HCMC)	10.0	QCBS	Prior (RPM clearance required)	Jan 2011	

## **Annex 9: Governance, Transparency, and Anti-Corruption**

### **A. Background**

1. The Government of Vietnam has substantially strengthened the legal framework to combat corruption and waste. The central piece of legislation is the November 2005 Anti-corruption Law (55/2005/QH11) which clearly defines corrupt practices, the principles for handling corruption and the responsibilities of the different ministries and agencies in fighting it. Among the salient features of the Anti-Corruption Law are: (a) provisions to raise public awareness through an increase in the transparency in, and publicity of, the activities of the different government agencies in the procurement and management of public properties and construction activities and state budgets at all levels; (b) provisions for civil society to play a central role in combating corruption; and (c) the definition of a strict code of conduct and ethics for public servants, with the heads of agencies bearing responsibility for corruption in their entities.

2. Between 2006 and 2008, the Government issued 9 key decrees and resolutions that provided policies and guidance on institutional mechanisms for curbing corruption and 15 decrees and decisions to guide implementation of policies. These<sup>9</sup> provide both the framework for implementing the Anti-corruption Law and strengthen it. The Government ratified the United Nations Convention against Corruption in August 2009.

### **B. Overview of PPTAF Governance Measures**

3. The PPTAF Project Operations Manual (POM) will include a *Strategic Governance and Accountability Risk Matrix* to identify potential risks of corruption and appropriate mitigation measures developed in consultation with and agreed by the Executing Agency and the Bank. The POM and Strategic Governance and Accountability Risk Matrix will be subject to review during the implementation of the Project and may be refined with mutual agreement between the Bank and the Implementing Agency. The detailed fiduciary control systems for the Project are outlined in Annex 7: Financial Management and Disbursement Arrangements, and Annex 8: Procurement Arrangements.

4. The *Strategic Governance and Accountability Risk Matrix* for the entire Project will outline the following mitigation actions:

- (a) Disclosure Provisions and Transparency
- (b) Civil Society Oversight
- (c) Complaints Handling Mechanism
- (d) Sanctions and Remedies
- (e) Mitigating Collusion, Fraud and Nepotism

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<sup>9</sup> Decree No. 120/2006/ND-CP that addresses transparency and disclosure, protection and reward of whistle-blowers, and request of information by citizens; Decree No. 37/2007/ND-CP that requires transparency in asset and income declaration for government, party and parliament officials; Decree No. 115/2008/ND-CP that guides the publication of auditing results; and Decrees 47/2007/ND-CP and 107/2006/ND-CP that respectively define the roles and responsibilities of civil society and heads of government agencies in combating corruption. Ordinance No. 34/2007/PLUBTVQH11 requires wide publicity and community consultation on socioeconomic development plans, and mechanisms for people to voice their opinion and receive feedback.

All of the Project activities, including those funded through the investment credits, will be expected to adhere to the principles and processes outlined in the Risk Matrix.

5. It is expected that *preparation* activities (primarily consisting of feasibility studies, design, safeguards instruments, etc) executed by sub-project implementing agencies (IAs) will not require an individual Governance and Accountability Framework (GAF). However, strict fiduciary risk mitigation measures will be in place as outlined in the Annex 7 and Annex 8.

6. Subsequent *investments credits* prepared through PPTAF will require an individual GAF during implementation, and the PPTAF can assist the sub-project implementing agencies to prepare this (or equivalent governance tools such as investment-specific *Risk Map* and *Action Plans*

7. Examples of the strategic risk mitigation measures under this Project are detailed in the matrix in Table 1 below.

**Table 1. Strategic Governance and Accountability Risk Matrix**

Theme/Topic	Intervention/Measure	Responsibility	Target Date
Disclosure Provisions and Transparency	Establish Project information media and outlets including: (a) Project web page, linked to MPI web page, and to IA web pages ; (b) select print media with relevant distribution covering all stakeholders; and (c) relevant national media. Establish a process for routine updates of salient information on the site.	MPI-PMU	Within 1 month of Project Effectiveness.
	Obtain and publish: (a) Participant Integrity Disclosures (information on State disclosure by Project officials); and (b) reference and contact information of each contractual participant in the Project.	MPI-PMU	Within 2 months of Project effectiveness, and henceforth for IAs as sub-projects are approved for financing
	Publication in MPI and IA websites/procurement bulletin and newspapers of all decisions relating to investment selection, scope, cost, beneficiaries, alternatives, resettlement policies, environmental protection and any sanctions that may be applied	MPI-PMU/IAs	Throughout Project Life
Civil Society Oversight	Sub-project beneficiary representatives encouraged to participate in supervision activities and attend bid openings. Sub-project to provide support to local communities and civil society in overseeing project works following Decree 120/2006/ND-CP and Ordinance No. 34/2007/PL-UBTVQH11.	MPI-PMU/IAs	Throughout Project life.
Complaints Handling Mechanism	Establish effective mechanisms and protocols for confidential reporting of complaints, management of records, fair processing, monitoring, and confidentiality.	MPI/MPI-PMU/ IAs	By Loan Effectiveness.

Theme/Topic	Intervention/Measure	Responsibility	Target Date
Sanctions and Remedies	Project transparency and ethics statement for Project officials.	[MPI]	As part of GTAP, by Project effectiveness.
	Governance statement, including a description of sanctions for collusion, fraud, corruption, coercion and obstruction, will be included in all tender documents and Project contracts.	MPI-PMU	As part of GTAP, by Project effectiveness for initial statement and ongoing thereafter.
	The Project Operations Manual to include Project-wide procedures for identifying, reporting and tackling collusion, corruption and fraud. Responsibilities at each unit/level are to be clearly defined and are to reflect the required oversight necessary for mitigating the risk of collusion, corruption and fraud.	MPI-PMU	By effectiveness
Mitigating Collusion, Fraud and Nepotism	Obtain validated Project transparency and ethics statements from key Project officials after completion of Project GTAP training.	MPI-PMU	Within 4 months of Project effectiveness.
	MPI/IAs have computerized accounting system permitting single entry of Project transaction information with maintenance of only one set of financial statements.	MPI-PMU/IAs	Before effectiveness
	Clear definition of, and adherence to, quality standards set out in contracts. MPI/IAs engage staff with appropriate expertise and enforcement powers. Independent technical audit is sought where necessary, from the facility support consultants in the first instance and from an external agent if necessary.	MPI-PMU/IAs	As needed/Periodically, throughout Project life
Other	Compile MPI GTAP Manual and training materials, including: (a) definitions of corrupt practices and negligence/waste; (b) applicable MPI and World Bank anti-corruption policies & regulations; and (c) training demonstration case material.	MPI-PMU	Within 3 months of signing Financing Agreement (FA).



## **Annex 10: Economic and Financial Analysis**

1. The proposed Project is a facility that will support the preparation of investment projects, and does not present quantifiable economic and financial benefits. However, the Project is expected to allow the investment projects it supports, which will be subject to the usual economic and financial viability assessments during their preparation, to commence implementation earlier than would otherwise be the case. The investment loans will be processed in parallel with the project preparation work, rather than after the preparation work has been completed. This could reduce the delay between investment loan approval and substantial disbursement for works and/or goods by up to two years, based on experience across the present portfolio.
2. For all sub-projects the result will be earlier delivery of benefits, a potential reduction in cost, since contract awards would be done much closer to the loan approval and effectiveness dates, and potentially improved project quality, since investment financing will be prepared on the basis of more detailed technical, safeguard, and cost information than is typically the case at present. Together with providing a more secure and comprehensive funding source for project preparation, there should be improve economic and, where applicable, financial viability outcomes.
3. For sub-projects funded through IBRD loans, there would be the additional benefit of lower commitment charges, and potentially shorter implementation periods, both of which would reduce total project costs substantially.

## **Annex 11: Safeguard Policy Issues**

*This annex deals with the safeguard policy issues associated with this Project and describes how safeguard issues will be addressed by the Project. Therefore, the annex will also be used as the free-standing Safeguard Management Framework for the Project.*

### **SAFEGUARD MANAGEMENT FRAMEWORK**

#### **Introduction and Project Description**

1. The Project Preparation Technical Assistance Facility Project (PPTAF) will provide funding and management support for a financing facility to be utilized by ministries, government-owned entities, provinces, and municipalities for the preparation of sub-projects that are priority national investments, and are intended to be financed by the Bank. The activities supported by the facility will typically include feasibility studies, detailed engineering and design, procurement, and other forms of preparation support, including environmental assessments, resettlement action plans, and all other types of safeguard instruments required under Bank policies.

2. The facility will initially focus on potential World Bank Group-financed projects only. Therefore, it is unlikely that any projects prepared with support from this facility will be subsequently financed by other donors, financing agencies or by the Government. In any case, all sub-projects will be prepared to international standards of safeguard compliance, therefore are no risks for the Bank. Moreover, the Bank's Project task team will require that all safeguard documents financed by the facility will be disclosed, even if the sub-project will not be financed by the Bank.

3. The Project will have no direct adverse environmental and/or social impacts, but it will fund the preparation of sub-projects that will become future Bank lending operations that will likely have adverse environmental and social impacts. Safeguard instruments under these future lending operations will be reviewed and cleared by the Bank in the context of their own project cycles. For this purpose, this facility will have suitable processes and adequate resources to: (i) screen all sub-projects for any potential socio-environmental impacts and determine the environmental category; and (ii) prepare the required safeguard instruments so that all applicable Bank safeguard policies will be complied with. To achieve these objectives, a simple safeguard management framework will be used as described below.

#### **Institutional and implementation arrangements**

4. Ministry of Public Investments (MPI) – with its multi-sector coordinating role – is the Project Executing Agency. The Project will work with numerous implementing agencies (IAs), (ministries, government-owned entities, provinces, and municipal governments) which will access the facility to prepare investment projects for possible follow-on financing from the Bank. MPI, as the Project owner and Executing Agency, will be responsible for Project

implementation. MPI's overall role will be to monitor, coordinate, and manage the Project, to provide IAs with capacity building support where required, and to ensure that Project IAs implement their respective sub-projects effectively, to agreed schedules, and in accordance with the Project Operations Manual (POM).

5. **Project Coordination Unit (PCU).** MPI will establish a PCU that will be responsible for Project coordination and implementation – including procurement of consultants necessary for its functions, financial management, monitoring and evaluation, 'top-level' quality assurance of activities undertaken by the IAs, capacity building for IAs (that require this support), overall safeguards compliance of the program, and complaints handling. MPI will procure and manage the Facility Support Consultants who will report to the PCU in all of its responsibilities. The PCU will be responsible for screening and clearing Sub-project Proposals from IAs based on agreed eligibility criteria.

6. **Implementing Agency (IA).** The Project IAs (through their Project Management Unit) will be responsible for applying for facility funds, procurement of consulting services for implementing sub-project preparation, management of all contracts, and ultimately for preparing the subsequent investment loans. The IAs will also be responsible for ensuring funds are administered in accordance with the POM and the Bank's policies and guidelines. The IAs will work closely with the Bank's Task Teams for the respective sub-projects during sub-project preparation.

7. **World Bank.** The Bank will supervise all activities at the Project and sub-project level. At the Project level, the Bank's Project Task Team will coordinate with, and supervise, MPI's implementation of the Project. At the sub-project level, the Bank Sub-project Task Teams (responsible for preparing the sub-project investments) will be responsible for coordination and supervision of preparation activities carried out by the sub-project IAs. The Project Task Team will monitor sub-project performance through the online monitoring system developed for the Project and, where necessary, will meet with sub-project task teams to identify and resolve issues that are delaying sub-project implementation.

### **Sub-project Processing**

8. The Bank's Project task team will ensure that the sub-project pre-appraisal checklists, to be prepared and submitted by Government sub-project Implementation Agencies (IAs), include sufficiently detailed information on the proposed sub-project's description and available information on the likely environmental and social impacts. Using the preliminary sub-project information provided by the IA, the Bank's sub-project task team to carry out an initial screening and: (i) determine the preliminary EA category; (ii) ensure that a Safeguards Concept Stage Meeting takes place within the Bank (as part of the project cycle of the ensuing project); and (iii) support and help supervise the preparation of the required safeguard instruments that are needed; this includes advice and support with drafting terms of reference. The initial screening will cover all possibly applicable safeguard policies; the screening checklist is attached as Attachment 1 – Part 1.

9. Once the sub-project has been endorsed for funding by the facility, the Bank's sub-project task team will ensure that the preparation studies include the identified safeguard instruments to

comply fully with all the Bank's safeguard policy requirements. The Bank's sub-project task team will also ensure that the resulting safeguard studies respond to the terms of reference (TOR) in all respects, are of good quality, and comply with all Bank policies and requirements.

10. With respect to the TOR, every effort will be made, in consultation between the IA concerned and the Ministry of Natural Resources and Environment (MONRE), and the Bank's Project task team as needed, to agree on unified terms of reference for the necessary safeguard studies so that they satisfy the requirements of the Bank policies as well as the Vietnamese laws and regulations.

11. A summary overview of the safeguard-related processing steps together with the associated responsibilities is shown below in Table A1.

**Table A1: Safeguards Related Processing Steps and Responsibilities**

PROCESSING STEPS	RESPONSIBILITIES				
	Government		World Bank		
	MPI	IA	TA-TT	SP-TT	RSS
<b>PPTAFP Processing</b>					
Sub-project application	S	R			
Review for eligibility	R		R		
Endorse application (or deny)	S		R		
Complete pre-appraisal checklist	S	R			
Safeguard screening			S	R	
Safeguard capacity assessment	S			R	
Preliminary EA category			S	R	
NOTE: Following steps fall under purview of the processing steps of the ensuing investment project					
Concept Stage Safeguards Review Meeting			S	S	R
Scoping & TORs for safeguard studies	S	R		S	
Select consultants and implement safeguard work	S	R		S	
Supervise & review safeguard studies	S			S	
Provide comments				R	
Do public consultation as required	S	R			
Complete draft safeguard documents		R			
Disclose locally & through InfoShop		R		R	
PAD Safeguard Review				S	R
Clearance for appraisal (safeguards)				S	R
Decision Meeting				R	S

**R=Responsible**

**S=Supporting Role**

MPI-PCU Ministry of Planning and Investments – Project Coordination Unit  
IA Implementing Agency, i.e. the GOV ministry or agency for the Sub-project  
TA-TT PPTAF (Facility) Task Team  
SP-TT Sub-project (ensuing investment) Task Team  
RSS Regional Safeguard Secretariat (or SM in case of transferred projects and when applicable as per Regional Safeguard Guidelines)

12. The detailed processing steps are as follows:

- a. An IA for a proposed investment sub-project will submit an application for support from the facility.
- b. If the proposed sub-project meets the Project's eligibility criteria, the IA, with support from Ministry of Planning and Investment's (MPI's) Project Coordination Unit (PCU), will complete the sub-project pre-appraisal checklist, as part of the Application Package. This checklist will include relevant questions on the extent, type(s) and scope of the potential environmental and social impacts; the sub-project will be screened for all possibly applicable safeguard policies (see screening checklist in Attachment 1 – Part 1).
- c. The screening information will allow the Bank's sub-project task team, in consultation as needed with the Regional Safeguard Secretariat (RSS), to: (i) confirm the preliminary EA Category; and (ii) determine the safeguards requirements, including the type(s) and scope of safeguard instruments needed to address the likely impacts.
- d. The pre-appraisal checklist will also gather information on the IA's capacity for carrying out safeguard-related work and studies (see capacity assessment form in Attachment 1 – Part 2). If gaps are identified through the capacity screening, the facility support consultant's team will provide the necessary support through the safeguard specialist consultant. If longer-term and more comprehensive capacity building is needed for the IA concerned, it will be provided as part of the ensuing investment sub-project.
- e. To assist IAs with initiating the necessary safeguard instruments, the PCU will be assisted by the international safeguard specialist who will be a member of the Project's facility support consultant's team (see Attachment 2 for the outline TOR for the safeguard specialist).
- f. At this time, under the project cycle of the follow-on project, a Concept Stage Safeguards Review Meeting will be held. In some cases, this will be held prior to the Concept Stage Decision Meeting.
- g. Subsequently, the IA, if needed, with support from the PCU and the safeguard specialist of the facility support consultants, will prepare draft TOR for the required safeguard instrument(s).

13. The Bank's sub-project task team will review the TOR and provide comments. The PCU and the facility support consultants will assist the IA with the selection of qualified and experienced consultants for the preparation of the various safeguard instruments. The Bank's sub-project task team will review and clear procurement actions. Special attention will be paid to the Bank requirement that for Category A projects, the borrower retains independent EA experts not affiliated with the Project to carry out the EA.

14. Technical supervision of the studies will be by the respective IAs guided if needed by the facility support consultant's safeguard specialist. The Bank's sub-project task team will provide review and comments.

15. Public consultation requirements are mandated by the Bank's operational policies on Environmental Assessment, Involuntary Resettlement and Indigenous Peoples. It will be conducted as a two-way process in which stakeholders and project-affected people provide

advice and input on the design of a proposed sub-project and how it affects their livelihood and environment. Public consultation will be conducted so that it will promote meaningful dialogue between government, communities, NGOs, and implementing agencies to discuss all aspects of a proposed project. At least two consultation events will be held for Category A sub-projects, i.e. at the TOR/scoping stage and at the draft final report stage, and at least one consultation for Category B projects.

16. When a final draft of a safeguard report requiring disclosure under Bank policy requirements has been completed, the IA will arrange for its local disclosure in accordance with Bank policy. The Bank's sub-project task team will forward draft safeguard documents for disclosure to the Bank's InfoShop.

17. The Project will finance the preparation of a considerable number of sub-projects that will range from large-scale infrastructure investments to small health and education operations. Based on the preliminary information available, there will be a number of projects that will be Category A, others that will be Category B, and some will be Category C projects. It is further expected that all the Bank's safeguard policies may be triggered by the implementation of one or the other of the various sub-projects that will be prepared with the aid of the facility, and therefore the screening will cover all Bank policies.

### **Local Capacity for Safeguard Management**

18. Currently in-country capacity on safeguard preparation and implementation is limited, and varies between different local stakeholders. Achieving high-quality and fully compliant safeguard-related, especially environmental, studies for large and / or complex sub-projects will require the involvement of international consultants, using comprehensive TOR prepared, as needed, with the support of the safeguard specialist who will be part of the facility support consultant team attached to the PCU (see Attachment 2 for outline TOR).

19. This team will have access to, and sufficient resources for, international specialist consultants to assist with scoping and drafting TOR for EIA, and RAP and other safeguard instruments, for large and complex projects. Close supervision, review and comments by the safeguards specialist on the Bank's sub-project task team will assure quality and completeness of outputs; this will include EMPs and well conducted public consultations at the appropriate stages of the process.

### **Relevant Vietnamese Laws and Regulations**

20. Whilst many of the current approaches of Vietnamese Laws are compatible with the World Bank operational policy OP 4.12 on involuntary resettlement, there are some gaps between Vietnamese laws and the World Bank policy, such as the treatment of illegal land users, or independent monitoring arrangements. The introduction of Decree 197/2004/ND-CP and a number of subsequent decrees have bridged many remaining gaps between Vietnamese laws and World Bank policies.

21. As provided for under the Land Law, Decree 197/2004/ND-CP and Decree 131/2006/ND-CP, which regulate the management and use of official development assistance, the World Bank's policy requirements will apply. Article 2 of Decree 131 stipulates that: "If there is a discrepancy between any provision in an international treaty on ODA to which the Socialist Republic of Vietnam is a signatory, and the Vietnamese Law, the provision in the international treaty on ODA shall take precedence." At the same time, the Bank has been conducting some analytical works in close collaboration with MONRE to help the Government to further improve resettlement policies to close the gaps with the Bank policies.

22. Regarding indigenous peoples and ethnic minorities, there are gaps between the Government and the Bank policies, including the Bank's requirement of preparing an Indigenous Peoples Plan or Indigenous Peoples Planning Framework for projects/programs affecting ethnic minority communities. The requirements of Bank policies will take precedence, as allowed for under Vietnamese law.

23. The Constitution of the Vietnamese Socialist Republic requires that project owners must comply with national requirements on environmental protection. The Law on Environmental Protection issued in 1993, and revised in 2005, is the principal legal basis on environmental protection requirements. Guidance on implementation of the Law is specified in decrees and circulars.

24. Vietnamese laws and regulations dealing with environmental issues are listed below. This list sets out the main legal instruments and does not include legal documents that relate to project specific issues:

- Law no. 52/2005/QH11 dated 29 November 2005 on Environment Protection, and the implementing Government Decrees 80/2006/ND-CP, Decree 21/2008/ND-CP (amending the previous decree), and 81/2006/ND-CP, which establishes penalties for violating environmental requirements;
- Government Circular No. 08/2006/TT-BTNMT issued on September 8, 2006, by Ministry of Natural Resources and Environment (MONRE) established guidelines for Conducting a Strategic Environmental Assessment, EIA and EPC. However, Circular 08/2006/TT-BTNMT is under revision and will be soon be re-issued by MONRE;
- Law No. 68/2006/QH11 on Technical Standards and Specifications and amended standards and qualifications (TCVN, QCVN) for allowable pollution limits (ambient air, air emission, surface water, ground water, waste waters, soils, and other media);
- Local technical standards and specifications for environment issues introduced by Provincial Peoples' Committees.

25. As was noted further above, Article 2 of Decree 131 stipulates that the policies of an ODA donor will take precedence over Vietnamese Law. Thus the requirements of the Bank's Environment Policies take precedent over Vietnamese Law. However, when drafting TOR for the necessary safeguard instruments, every effort will be made by the IA, in consultation with MONRE, to agree on a set of unified TOR, so that the safeguard instruments to be prepared, will meet the requirements of the World Bank and also fully comply with Vietnamese laws and regulations.

26. The prospects for higher quality EA instruments have improved recently as the Government, through MONRE, has issued a new “General EIA Implementation Guideline” in November 2009 which will harmonize EIA preparation between the Government and the aid partners. The guideline was prepared by the Thematic Group for EIA of the Partnership Group for Aid Effectiveness through their continued work on the harmonization of EIA in support of the Ha Noi Core Statement. In December 2009, the same group also issued draft “Guideline for Preparing and Environmental Management Plan” and another draft “Guideline for Conducting Public Consultation in Support of the Environmental Impact Assessment in Vietnam”. With the increasing use of these updated and new guidelines that address key aspects of the EA system in Vietnam it is expected that the quality of EIA processes and documentation will improve considerably in the coming years.

### **List of Acronyms and Abbreviations**

EA	Environmental Assessment
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
IA	Implementing Agency
MONRE	Ministry of Natural Resources and Environment
MPI	Ministry of Public Investments
NGO	Non-government organization
ODA	Overseas Development Assistance
OP	Operational Policy
PCU	Project Coordination Unit
POM	Project Operational Manual
PPTAFP	Project Preparation Technical Assistance Facility Project
RAP	Resettlement Action Plan
RSS	Regional Safeguard Secretariat
SP – TT	Sub-project Task Team
TA – TT	Technical Assistance Task Team
TOR	Terms of Reference



## Attachment 1. Initial Screening Checklist for Safeguard Policies

<b>PART 1: Safeguard Policies</b> – Check the applicable YES or NO box and add relevant details, comments and / or clarifications in the space below the question box	<b>YES</b>	<b>NO</b>
1. Will the sub-project have significant and irreversible adverse environmental impacts on air, water and land, human health & safety, or social aspects?	<input type="checkbox"/>	<input type="checkbox"/>
2. Is the sub-project likely to have minimal or no adverse impacts?	<input type="checkbox"/>	<input type="checkbox"/>
3. Will the sub-project involve investments through a financial intermediary for still undefined investments with potential adverse impacts?	<input type="checkbox"/>	<input type="checkbox"/>
4. Will the sub-project cause significant conversion or degradation of critical natural habitats, such as wetlands or forests that give environmental services and products?	<input type="checkbox"/>	<input type="checkbox"/>
5. Will the sub-project involve and / or finance the use of harmful pesticides?	<input type="checkbox"/>	<input type="checkbox"/>
6. Will the sub-project affect physical cultural resources, such as archeological & historical sites, historic urban areas, sacred sites, burial sites, or unique natural values?	<input type="checkbox"/>	<input type="checkbox"/>
7. Will the sub-project require the involuntary acquisition of land and / or houses? If yes, indicate estimated number of affected persons and / or properties below.	<input type="checkbox"/>	<input type="checkbox"/>
8. Will the sub-project involve or affect any group(s) of indigenous people, i.e. distinct, vulnerable, social and cultural groups attached to geographically distinct habitats or historical territories, with a separate culture and possibly a different language?	<input type="checkbox"/>	<input type="checkbox"/>
9. Will the sub-project encroach on significant areas of primary forest and possibly affect the rights of communities to use their traditional forest areas?	<input type="checkbox"/>	<input type="checkbox"/>
10. Will the sub-project involve any existing dams, or finance new dams, more than 15 m in height? If dam(s) involved in sub-project are less than 15 m high, indicate height, type and complexity of dam(s) in the space below.	<input type="checkbox"/>	<input type="checkbox"/>
11. Will the sub-project affect the efficient utilization and protection of international waterways, or will it adversely affect relations between the Bank and its Borrowers and between riparian states?		
12. Will the sub-project be located in an area disputed by different countries?		
13. Any additional relevant information?		

<b>PART 2: Safeguard Capacity Assessment</b> – Check the applicable YES or NO box and add relevant details/ comments in the space below the question box	<b>YES</b>	<b>NO</b>
1. Has the implementing agency (IA) any staff who have experience in the screening and scoping of ODA-financed projects for environmental and / or social assessment? If YES, list their names and relevant projects below.	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the IA any staff who has experience with scoping and preparing a resettlement action plan (RAP) for ODA-financed projects? If YES, list their names and the relevant projects below.	<input type="checkbox"/>	<input type="checkbox"/>
3. Has the IA successfully completed comprehensive EIA reports to international standards, obtained approvals from ODA financing agency, and implemented the project? If YES, list the project(s) below.	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the IA successfully completed a full RAP or resettlement policy framework (RPF) to international standards, obtained approvals from ODA financing agency, and implemented the project together with the resettlement? If YES, list the project(s) below.	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the IA, in their opinion, need support with screening, scoping the environmental and / or social studies, preparing TOR, selecting EA consultants, and supervising the studies. If YES, list the type and level of support needed.	<input type="checkbox"/>	<input type="checkbox"/>
6. List any other relevant issues in connection with IA's capacity for safeguard work.	<input type="checkbox"/>	<input type="checkbox"/>

## **Attachment 2: Outline Terms of Reference (TOR) for Safeguard Specialist**

### *Introduction and Context*

1. The safeguard (environmental and / or social development) specialist is an integral part of the Facility Support Consultants (FSC) team that is attached to the PCU. S/he should provide the necessary assistance so that environmental and social development considerations are integrated into sub-project design and documentation, and that all necessary safeguard instruments will fully comply with the Bank's requirements and safeguard policies. This TOR sets out the general tasks for which the safeguard specialist is responsible. The TOR focuses on responsibilities related to ensuring compliance with the Bank's safeguard policies; however, the specialist's responsibilities may go beyond these; such additional tasks and duties may be defined by the MPI – PCU.

### *Duties and Responsibilities*

2. As part of the FSC team, the safeguard specialist will provide assistance and support so that the various safeguard instruments generated by the Project meet all applicable requirements of the Bank's safeguard policies. The specialist is not expected to bring all relevant technical knowledge to the FSC team, but s/he must ensure that the necessary specialist inputs are identified and will be provided through short term consultants.

3. Listed below are the specific duties and responsibilities of the FSC safeguard specialist:

- Compile relevant TOR, reports, and related resources and materials that may be useful to IAs for the preparation of safeguard instruments, including World Bank, other international and also local Vietnamese resources; this repository of safeguard-related material and information is to supplement the resources in the project operational manual (POM);
- Assist the PCU with the assessment of the capacity for performing safeguard work of each IA that has applied for financing project preparation activities; this will include the setting up of simple criteria for performing this capacity assessment;
- Further to the assessment above, assist the Implementing Agency (IA) as needed with the safeguard aspects of the preparation of: (i) the sub-project application; and (ii) the completion of the sub-project pre-appraisal checklist;
- Advise MPI and IA on World Bank safeguard policy requirements, preliminary EA category and which safeguard policies are likely to be triggered by a specific sub-project;
- Advise the IA on the appropriate type and scope (extent) of safeguard instrument to be prepared for a particular sub-project (a list of the different types of safeguard instruments is annexed to this TOR);
- Provide advice, guidance, samples and inputs into draft TOR and for the preparation of the required safeguard instrument(s), such as EIA, RAP, or other;
- Review consultants' shortlists, proposal evaluations and contract award recommendations to ensure that only fully experienced and qualified consultants will be selected for safeguard-related studies;

- Facilitate the timely review of, and comment on, all draft environmental and social reports prepared by external consultants; and
- Ensure consistency with GOV requirements for safeguards.

#### *Reporting Arrangement*

4. The safeguard specialist is accountable, through the FSC team leader, to the head of the PCU.

#### **List of Available Safeguard Instruments**

- Environmental Impact Assessment
- Regional or Sectoral Environmental Assessment
- Strategic Environmental Assessment
- Environmental Management Plan (including impact mitigation and monitoring plans)
- Pest Management Plan
- Dam Safety Plan
- Emergency Preparedness Plan
- Environmental (and Social) Management Framework
- Social Assessment
- Social Impact Assessment
- Indigenous Peoples Plan
- Indigenous Peoples (Planning) Framework
- Resettlement Action Plan (incl. land acquisition)
- Resettlement Policy Framework
- Resettlement Process Framework

## Annex 12: Project Preparation and Supervision

	Planned	Actual
PCN review	10/27/2009	12/11/2009
Initial PID to PIC		02/23/2010
Initial ISDS to PIC		02/24/2010
Appraisal		03/29/2010
Negotiations	05/13/2010	05/13/2010
Board/R VP approval	06/24/2010	
Planned date of effectiveness	10/31/2010	
Planned date of mid-term review	04/31/2013	
Planned closing date	12/31/2015	

Key institutions responsible for preparation of the Project:  
Ministry of Planning and Investment, Vietnam

Bank staff and consultants who worked on the Project included:

Name	Title	Unit
Paul Valley	Senior Transport Specialist, TTL	EASVS
Andre Bald	Senior Infrastructure Specialist	EASVS
Son Duy Nguyen	Senior Operations Officer	EASVS
Tran Trung Kien	Senior Procurement Specialist	EAPPR
Pham Van Cung	Senior Financial Management Specialist	HANWB
Sameena Dost	Senior Counsel	LEGES
Baher El-Hifnawi	Lead Transport Economist	EASIN
Stephen C. Burgess	Senior Operations Officer	EAPCO
Douglas Graham	Environment Sector Coordinator	HANWB
John Cooney	Infrastructure Specialist	Consultant
Heinz Unger	Environmental Specialist	Consultant
Vu Thi Dieu Ly	Operations Officer, Social	EASVS
Pham Thi Mong Hoa	Senior Social Development Specialist	EASVS
Tuong Phuong Thao	Team Assistant	EACVF
Teri Velilla	Program Assistant	EASIN

### **Annex 13: Documents in the Project File**

1. *Vietnam Country Partnership Strategy 2007 – 2011*, The World Bank in Vietnam, January 2007.
2. *Socioeconomic Development Plan 2006-2010*, The Ministry of Planning and Investment, September 2005.
3. *Sixth Joint Portfolio Performance Review (JPPR VI)*, ODA Inter-ministerial Task Force. October 2009.

## Annex 14: Statement of Loans and Credits

<u>Active Projects</u>		<u>Original Amount in US\$ Millions</u>						<u>Difference Between Expected and Actual Disbursements<sup>a/</sup></u>	
Project ID	Project Name	Fiscal Year	IBRD	IDA	GRANT	Cancel.	Undish.	Orig.	Frm Rev'd
P113493	2nd Northern Mountains Poverty Reduction	2010		150.00			146.33		
P085071	Customs Modernization	2006		65.90			67.55	50.17	
P088759	Fin Sector Modern and Info Mgmt System	2009		60.00			55.89	(0.16)	
P082627	Payment System and Bank Modernization 2	2005		105.00			49.70	51.38	51.28
P075399	Public Financial Management Reform Proj.	2003		54.33			29.73	22.80	
P099376	Tax Administration Modernization Project	2008		80.00			81.02	30.41	
P065898	VIETNAM WATER RESOURCES ASSISTANCE	2004		157.80			71.42	50.72	
P108885	VN - Agriculture Competitiveness Project	2009		59.80			50.77	6.68	
P066051	VN - Forest Sector Development Project	2005		39.50			22.81	19.69	
P074414	VN - GEF Forest Sector Development Proj	2005			9.00		6.83	6.70	6.70
P083593	VN - National CFC & Halon Phaseout Pr	2006			1.26		0.88	(0.23)	
P079344	VN -ICT Development	2006		93.72		5.98	76.76	59.96	0.54
P073361	VN -Natural Disaster Risk Mngt Project	2006		86.00			20.67	4.13	
P096418	VN Land Administration Project	2008		75.00			66.44	9.10	
P090723	VN Livestock Competitiveness&Food Safety	2010		65.26			62.03	2.63	
P079665	VN-2ND HIGHER EDUCATION	2007		59.40			34.49	12.79	
P101608	VN-Avian & Human Influenza Control &Prep	2007		20.00			12.44	9.72	
P082295	VN-COASTAL CITIES ENVM T SANIT.	2007		124.70			102.71	7.98	
P095275	VN-Central North Region Health Support	2010		65.00			62.86		
P071019	VN-GEF DEMAND SIDE MGMT & ENERGY	2003			5.50		0.66	0.66	
P090374	VN-GEF-Coastal Cities	2009			5.35		5.00		
P085393	VN-GEF-Hanoi Urban Transpt Dev	2008			9.80		8.71	2.86	
P080074	VN-GEF-RURAL ENERGY 2	2005			5.25		4.49	(0.56)	
P073778	VN-GEF-System Energy Equitization-Renewa	2002			4.50		1.48	1.48	
P083581	VN-HANOI URBAN TRANSPORT	2008		155.21			145.57	55.74	
P052037	VN-HCMC ENVM T L SANIT.	2001		256.34			119.18	4.14	4.14
P104848	VN-HIFU DEVELOPMENT	2007		50.00			37.06	8.67	
P082604	VN-HIV/AIDS Prevention Project	2005		35.00			5.82	(1.64)	
P094055	VN-Local Development Investment (LDIFP)	2010		190.00			184.19	(10.00)	
P083588	VN-MKG DELTA TRANSPORT INFRA DEV	2007		207.70			187.16	28.52	(7.92)
P079663	VN-Mekong Regional Health Support Proj	2006		70.00			45.72	0.20	
P042927	VN-Mkg Transp & Flood Protection	2001		135.00			30.30	(13.36)	7.39
P095129	VN-Northern Delta Transport Dev	2008		170.00			161.81	9.77	
P082672	VN-Northern Upland Health Support Proje	2008		60.00			53.45	(2.34)	
P044803	VN-PRIMARY EDUC FOR DISADVANTAGED CH	2003		138.76		4.90	15.20	3.30	(19.09)
P115874	VN-Power Sector Reform DPO	2010	200.00	111.80			310.58		
P086508	VN-Priority Infra Investment	2008		152.44			139.44	2.02	
P059663	VN-ROAD NETWORK IMPROVEM T	2004		225.26			111.46	101.46	
P085080	VN-ROAD SAFETY	2005		31.73			27.01	26.61	
P077287	VN-RRD RWSS	2006		111.14			90.55	7.48	
P074688	VN-RURAL ENERGY 2	2005		420.00			251.50	33.13	
P103238	VN-Renewable Energy Development Project	2009		202.00			200.40	(0.30)	
P099211	VN-Rural Distribution Project	2008		150.00			92.40	(35.85)	
P075407	VN-Rural Transport 3	2006		106.25			75.71	40.44	0.84
P066396	VN-SYSTEM ENERGY, EQUITIZATION & RENEW	2002		225.00			16.81	(30.25)	(30.25)
P091747	VN-School Education Quality Assurance	2009		127.00			129.34	10.31	
P084871	VN-TRANS & DISTRIB 2	2006		200.00			98.43	67.31	
P100916	VN-Third Rural Finance Project	2008		200.00			154.62	13.35	
P070197	VN-URBAN UPGRADING	2004		382.47			306.68	45.03	
P073763	VN-WATER SUPPLY DEV.	2005		112.64			92.80	54.36	
P099460	Vietnam PCB Management Project	2009			7.00		7.00	0.33	
Overall Result			200.00	5,587.15	47.66	10.88	4,131.87	767.01	13.63

Vietnam  
Committed and Disbursed Outstanding Investment Portfolio  
As of 4/30/2010  
(In USD Millions)

<u>FY Approval</u>	<u>Company</u>	<u>Committed</u>					<u>Disbursed Outstanding</u>				
		<u>Loan</u>	<u>Equity</u>	<u>**Quasi</u>	<u>*GT/RM</u>	<u>Partici</u>	<u>Loan</u>	<u>Equity</u>	<u>**Quasi</u>	<u>*GT/RM</u>	<u>Partici</u>
				<u>Equity</u>					<u>Equity</u>		
2008/09	Antara	7	1	0	0	7	7	1	0	0	7
2002	Cybersoft	0	0.06	0	0	0	0	0.06	0	0	0
2002	Dragon capital	0	0	1.05	0	0	0	0	1.05	0	0
2005	Khai vy	2.45	0	0	0	0	2.45	0	0	0	0
2009	Nghi son cement	34.44	0	0	0	32.76	25	0	0	0	23.78
2005/10	Paul maitland	11.2	0	0	0	0	1.2	0	0	0	0
2009	Paynet	0	0	1.5	0	0	0	0	1.18	0	0
2006	Sabco	27.08	0	0	0	0	27.08	0	0	0	0
2007	Sacombank	24.7	0	0	0	0	24.7	0	0	0	0
2008	Ssit	70	0	0	0	0	6.52	0	0	0	0
2008	Techcombank	12.65	0	0	0	0	12.65	0	0	0	0
2003/07	Veil	0	16.06	0	0	0	0	16.06	0	0	0
2008	Vi fund i	0	6.97	0	0	0	0	2.46	0	0	0
<b>Total Portfolio:</b>		<b>189.52</b>	<b>24.09</b>	<b>2.55</b>	<b>0</b>	<b>39.76</b>	<b>106.6</b>	<b>19.58</b>	<b>2.23</b>	<b>0</b>	<b>30.78</b>

## Annex 15: Country at a Glance

Page 1 of 3

### Vietnam at a glance

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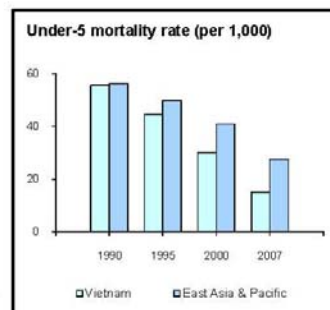
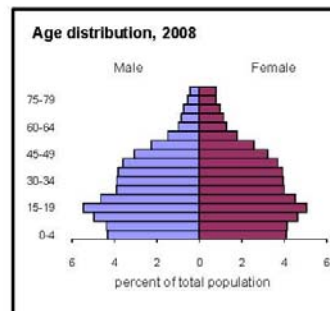
#### Key Development Indicators

(2008)

	Vietnam	East Asia & Pacific	Low income
Population, mid-year (millions)	86.2	1,931	973
Surface area (thousand sq. km)	329	16,289	19,310
Population growth (%)	1.2	0.8	2.1
Urban population (% of total population)	28	44	29
GNI (Atlas method, US\$ billions)	76.8	5,080	510
GNI per capita (Atlas method, US\$)	890	2,631	524
GNI per capita (PPP, international \$)	2,700	5,399	1,407
GDP growth (%)	6.2	8.0	6.4
GDP per capita growth (%)	4.9	7.2	4.2

(most recent estimate, 2003–2008)

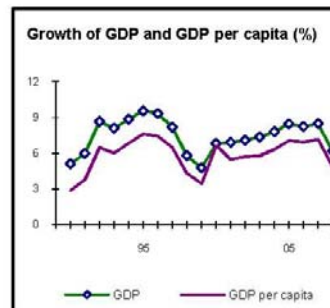
Poverty headcount ratio at \$1.25 a day (PPP, %)	21	17	..
Poverty headcount ratio at \$2.00 a day (PPP, %)	48	39	..
Life expectancy at birth (years)	74	72	59
Infant mortality (per 1,000 live births)	13	22	78
Child malnutrition (% of children under 5)	20	13	28
Adult literacy, male (% of ages 15 and older)	..	96	72
Adult literacy, female (% of ages 15 and older)	..	90	55
Gross primary enrollment, male (% of age group)	..	112	102
Gross primary enrollment, female (% of age group)	..	110	95
Access to an improved water source (% of population)	92	87	67
Access to improved sanitation facilities (% of population)	65	66	38



Net Aid Flows	1980	1990	2000	2008 <sup>a</sup>
(US\$ millions)				
Net ODA and official aid	277	181	1,681	2,497
Top 3 donors (in 2007):				
Japan	4	1	924	640
France	15	12	53	154
Germany	0	16	33	98
Aid (% of GNI)	..	3.0	5.5	3.8
Aid per capita (US\$)	5	3	22	29

#### Long-Term Economic Trends

Consumer prices (annual % change)	..	36.4	-1.7	7.3
GDP implicit deflator (annual % change)	..	42.1	3.4	21.7
Exchange rate (annual average, local per US\$)	0.6	6,482.8	14,167.8	16,302.3
Terms of trade index (2000 = 100)	..	..	100	114



	1980	1990	2000	2008 <sup>a</sup>	1980–90 (average annual growth %)	1990–2000 (average annual growth %)	2000–08 (average annual growth %)
Population, mid-year (millions)	53.7	66.2	77.6	86.2	2.1	1.6	1.3
GDP (US\$ millions)	..	6,472	31,173	90,645	4.6	7.9	7.7
(% of GDP)							
Agriculture	..	38.7	24.5	22.1	2.8	4.3	3.9
Industry	..	22.7	36.7	39.7	4.4	11.9	10.0
Manufacturing	..	12.3	18.6	21.1	1.9	11.2	11.9
Services	..	38.6	38.7	38.2	7.1	7.5	7.5
Household final consumption expenditure	..	84.3	66.4	69.3	..	5.1	8.0
General govt final consumption expenditure	..	12.3	6.4	6.2	..	3.2	7.6
Gross capital formation	..	12.6	29.6	41.1	..	19.8	12.7
Exports of goods and services	..	36.0	55.0	78.2	..	19.2	12.1
Imports of goods and services	..	45.3	57.5	94.7	..	19.5	14.4
Gross savings	..	-2.3	31.3	29.4	..	..	..

Note: Figures in italics are for years other than those specified. 2008 data are preliminary. .. indicates data are not available  
a. Aid data are for 2007.

Development Economics, Development Data Group (DECDG).



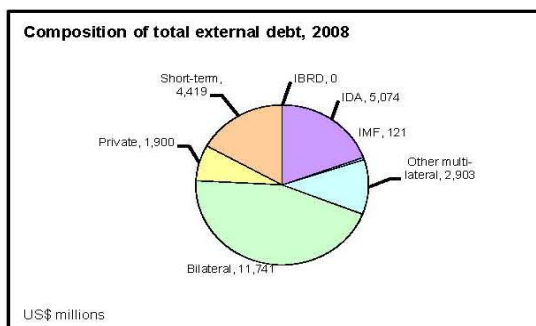
Balance of Payments and Trade	2000	2008
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	14,483	62,685
Total merchandise imports (cif)	15,637	80,713
Net trade in goods and services	-173	-13,617
Current account balance	1,108	-10,705
as a % of GDP	3.6	-11.8
Workers' remittances and compensation of employees (receipts)	2,000	7,200
Reserves, including gold	3,030	21,578

#### Central Government Finance

<i>(% of GDP)</i>		
Current revenue (including grants)	20.4	26.0
Tax revenue	..	..
Current expenditure	15.9	20.2
Overall surplus/deficit	-2.0	-1.1
Highest marginal tax rate (%)		
Individual	50	40
Corporate	32	28

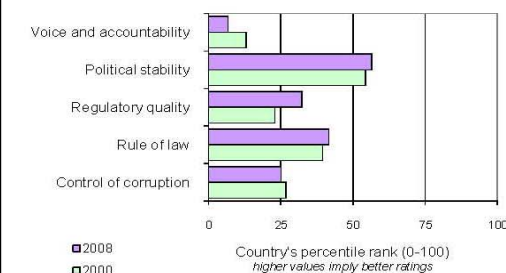
#### External Debt and Resource Flows

<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	12,825	26,158
Total debt service	1,310	1,344
Debt relief (HIPC, MDRI)	—	—
Total debt (% of GDP)	41.1	28.9
Total debt service (% of exports)	7.5	1.9
Foreign direct investment (net inflows)	1,298	9,579
Portfolio equity (net inflows)	0	-578



Private Sector Development	2000	2008
Time required to start a business (days)	—	50
Cost to start a business (% of GNI per capita)	—	16.8
Time required to register property (days)	—	57
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2008
Access to/cost of financing	..	40.5
Access to land	..	25.9
Stock market capitalization (% of GDP)	..	10.6
Bank capital to asset ratio (%)	..	..

#### Governance indicators, 2000 and 2008



Source: Kaufmann-Kraay-Mastruzzi, World Bank

Technology and Infrastructure	2000	2008
Paved roads (% of total)	25.1	..
Fixed line and mobile phone subscribers (per 100 people)	4	61
High technology exports (% of manufactured exports)	11.0	6.2

#### Environment

Agricultural land (% of land area)	28	31
Forest area (% of land area)	37.7	41.7
Nationally protected areas (% of land area)	..	5.2
Freshwater resources per capita (cu. meters)	4,597	4,304
Freshwater withdrawal (billion cubic meters)	71.4	..
CO2 emissions per capita (mt)	0.69	1.2
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	3.3	3.7
Energy use per capita (kg of oil equivalent)	479	621

World Bank Group portfolio	2000	2008
<i>(US\$ millions)</i>		
IBRD		
Total debt outstanding and disbursed	0	0
Disbursements	0	0
Principal repayments	0	0
Interest payments	0	0
IDA		
Total debt outstanding and disbursed	1,113	5,074
Disbursements	174	592
Total debt service	9	75
IFC (fiscal year)		
Total disbursed and outstanding portfolio	223	144
of which IFC own account	107	144
Disbursements for IFC own account	25	72
Portfolio sales, prepayments and repayments for IFC own account	18	20
MIGA		
Gross exposure	46	103
New guarantees	10	0

Note: Figures in *italics* are for years other than those specified. 2008 data are preliminary  
 .. indicates data are not available. — indicates observation is not applicable

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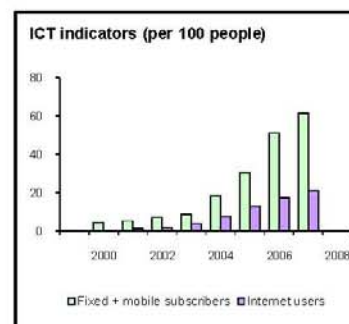
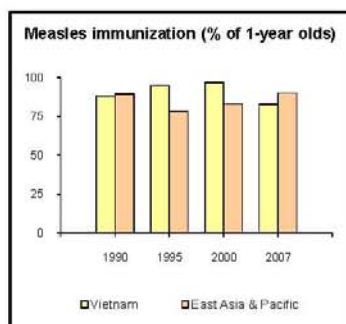
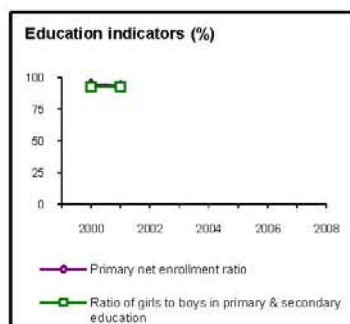
Development Economics, Development Data Group (DECDG).

## Millennium Development Goals

Vietnam

With selected targets to achieve between 1990 and 2015  
(estimate closest to date shown, +/- 2 years)

	Vietnam			
	1990	1995	2000	2008
<b>Goal 1: halve the rates for extreme poverty and malnutrition</b>				
Poverty headcount ratio at \$1.25 a day (PPP, % of population)	..	63.7	40.1	21.5
Poverty headcount ratio at national poverty line (% of population)	..	..	28.9	..
Share of income or consumption to the poorest quintile (%)	..	7.8	7.5	7.1
Prevalence of malnutrition (% of children under 5)	..	36.9	26.7	20.2
<b>Goal 2: ensure that children are able to complete primary schooling</b>				
Primary school enrollment (net, %)	90	..	95	..
Primary completion rate (% of relevant age group)	..	..	98	..
Secondary school enrollment (gross, %)	35	42	65	..
Youth literacy rate (% of people ages 15-24)	94	..	94	..
<b>Goal 3: eliminate gender disparity in education and empower women</b>				
Ratio of girls to boys in primary and secondary education (%)	..	..	93	..
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	50	48	46
Proportion of seats held by women in national parliament (%)	18	19	26	26
<b>Goal 4: reduce under-5 mortality by two-thirds</b>				
Under-5 mortality rate (per 1,000)	56	45	30	15
Infant mortality rate (per 1,000 live births)	40	33	23	13
Measles immunization (proportion of one-year olds immunized, %)	88	95	97	83
<b>Goal 5: reduce maternal mortality by three-fourths</b>				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	150
Births attended by skilled health staff (% of total)	..	77	68	88
Contraceptive prevalence (% of women ages 15-49)	53	65	74	76
<b>Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases</b>				
Prevalence of HIV (% of population ages 15-49)	0.1	0.1	0.3	0.5
Incidence of tuberculosis (per 100,000 people)	202	193	183	171
Tuberculosis cases detected under DOTS (%)	..	30	82	82
<b>Goal 7: halve the proportion of people without sustainable access to basic needs</b>				
Access to an improved water source (% of population)	52	64	77	92
Access to improved sanitation facilities (% of population)	29	40	51	65
Forest area (% of total land area)	28.8	32.4	37.7	41.7
Nationally protected areas (% of total land area)	..	..	..	5.2
CO2 emissions (metric tons per capita)	0.3	0.4	0.7	1.2
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	2.5	2.9	3.3	3.7
<b>Goal 8: develop a global partnership for development</b>				
Telephone mainlines (per 100 people)	0.1	1.1	3.3	33.5
Mobile phone subscribers (per 100 people)	0.0	0.0	1.0	81.2
Internet users (per 100 people)	0.0	0.0	0.3	21.0
Personal computers (per 100 people)	0.0	0.1	0.8	9.6



Note: Figures in italics are for years other than those specified. .. indicates data are not available

2/25/10

Development Economics, Development Data Group (DECDG).

**Annex 16: Map IBRD No. 33511**

# VIETNAM

⊙ PROVINCE CAPITALS

⊗ NATIONAL CAPITAL

— RIVERS

— MAIN ROADS

— RAILROADS

— PROVINCE BOUNDARIES

— INTERNATIONAL BOUNDARIES

## PROVINCES:

- |                   |                     |
|-------------------|---------------------|
| 1 Lai Chau        | 32 Da Nang          |
| 2 Dien Bien       | 33 Quang Nam        |
| 3 Lao Cai         | 34 Quang Ngai       |
| 4 Ha Giang        | 35 Kon Tum          |
| 5 Cao Bang        | 36 Gia Lai          |
| 6 Son La          | 37 Binh Dinh        |
| 7 Yen Bai         | 38 Phu Yen          |
| 8 Tu Yen Quang    | 39 Dac Lac          |
| 9 Bac Can         | 40 Dac Nang         |
| 10 Lang Son       | 41 Khanh Hoa        |
| 11 Phu Tho        | 42 Binh Phuoc       |
| 12 Vinh Phuc      | 43 Lam Dong         |
| 13 Thai Nguyen    | 44 Ninh Thuan       |
| 14 Bac Giang      | 45 Tay Ninh         |
| 15 Quang Ninh     | 46 Binh Duong       |
| 16 Ha Noi         | 47 Dong Nai         |
| 17 Bac Ninh       | 48 Binh Thuan       |
| 18 Hung Yen       | 49 T.P. Ho Chi Minh |
| 19 Hai Duong      | 50 Ba Ria-Vung Tau  |
| 20 Hai Phong      | 51 Long An          |
| 21 Hoa Binh       | 52 Tien Giang       |
| 22 Ha Nam         | 53 Dong Thap        |
| 23 Thai Binh      | 54 Ben Tre          |
| 24 Ninh Binh      | 55 An Giang         |
| 25 Nam Dinh       | 56 Vinh Long        |
| 26 Thanh Hoa      | 57 Tra Vinh         |
| 27 Nghe An        | 58 Kien Giang       |
| 28 Ha Tinh        | 59 Can Tho          |
| 29 Quang Binh     | 60 Hau Giang        |
| 30 Quang Tri      | 61 Soc Trang        |
| 31 Thua Thien Hue | 62 Bac Lieu         |
|                   | 63 Ca Mau           |



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