

Report on Project Cycle Issues for ODA Operation in Vietnam

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INTRODUCTION

Official Development Assistance (ODA) was resumed in Vietnam in 1993, and it has been playing a significant role in Vietnamese economic development. Up to now, the total pledged ODA funds are reaching USD 17.5 billion¹. The current scarcity of foreign direct investment due to the Asia financial crisis and the slowdown in Vietnam's economic reforms put greater strain on public investment resources in fueling economic growth. ODA therefore plays an increasingly important role in financing the government's development expenditures. Annual disbursements of ODA have risen steadily since the resumption of economic assistance in 1994 from US\$ 272 million or about 26% of government capital expenditures to an estimated US\$ 1,120 million in 1998 or almost 80%.

Recently, the Government of Vietnam ("GOV") has taken a number of steps to address some of the critical issues for effective project implementation. GOV has issued a number of decrees and circulars, including new Decree 17/CP for the Regulation on Management and Utilization of Official Development Assistance (formerly Decree 87/CP), Decree 52/CP on Management of Capital Investment, Decree 88/CP on Bidding and Decree 12/CP and 14/CP for revising Decree 52 and Decree 88. However, the Government raised concerns on the gap between the level of commitments and actual disbursements, and although the level of commitments has been increasing, the portfolio performance is far below the desired level. Through the discussion between GOV and the donors, it is recognized that there are some general causes for weak portfolio performance, such as (i) poor preparation of projects; (ii) cumbersome approval procedures; (iii) weak capacity of project staff; (iv) delays in recruitment of consultants and procurement of goods and services; (v) insufficient counterpart funds and (vi) inefficient land acquisition, resettlement and compensation.

In the Do Son Conference on Vietnam ODA Project Management and Performance (April 12 and 13, 2000), GOV and the donors jointly established the Action Plan for Strengthening and Improving the Implementation Capacity and the Effectiveness of ODA ("Action Plan"). Based on this Action Plan, JBIC organized the ODA Management & Monitoring Mission to identify most needed measures among the items in the Action Plan, which could help smoother implementation of ODA Projects in Vietnam.

The Mission consists of Mr. Masami Sugimoto, the head of the Mission, Certified Public Accountant-Japan, and Mr. Phan Nguyen Toan, the legal expert – Attorney at Law, Vietnam. The Mission conducted studies from October 23, 2000 to March 2, 2001.

In close cooperation with MPI, MOF and JBIC Hanoi Office, the Mission has carried out this study.

In this study, the Mission endeavored to focus on analyses related to each stage of ODA project Cycle, and found out the most needed areas which JBIC should put more inputs to smoothen the ODA projects implementation.

The study dealt with analyses of current government legal documents, study on the three big donors' ODA procedures and guidelines, and discussions with officers of MPI, MOF and PMUs of three major donors: World Bank, ADB and JBIC.

¹ Vietnam News, December 16, 2000

The Report consists of the following chapters:

Chapter 1: A Comparison of ODA Project Steps, which is to compare respective ODA procedures of GOV and three main donors: JBIC, World Bank and ADB. From this comparison, significant problems contained in each stage of the project cycles will also be briefly pointed out.

Chapter 2: Following the preceding Chapter, Chapter 2 will provide an overview of constraints and problems faced by ODA Projects throughout its cycle.

Chapter 3 and Chapter 4: These chapters will focus on two specific stages of Project Cycles: “Disbursement” and “Monitoring & Evaluation”.

Chapter 5: This Chapter entirely deals with the up-stream issues of the Project Cycle which have been identified as the most significant factor adversely affecting smooth implementation of ODA projects. Focusing on the Implementation of the Japan’s ODA, the Chapter also summarizes a harmonized way to conduct the whole process of the upstream procedures through collaboration between the GOV and the Donor’s sides to attain smoother project implementation.

CHAPTER I COMPARISON OF ODA PROCEDURES AMONG GOV AND ITS MAJOR DONORS

1. From Identification to L/A Signing

Stages	ADB	WB	JBIC	GOV	Note/Problems
Identification of ODA Projects	<p>he Bank has many kinds of Resources or Funds (Ordinary Capital Resources, Asian Development Fund, Sector lending, Program lending, ect.) For each kind of Loan or Fund, the Bank sets forth its policy, criteria to be met by the borrowers.</p> <p>ased on that, the Bank provides Bank operational missions. There are many kinds of missions, but there is only one mission directly relating to the identification stage, that is Country Program Mission. he Mission will be usually fielded between January and April of each year to review the ADB's Country assistance strategy and to formulate the Bank's future operational programs in VN. The mission obtains and takes account of information on political, social, and</p>	<p>he Bank has Country assistance Strategy (CAS), which is the central vehicle for Board review of the Bank Group's assistance strategy or IDA and IBRD borrowers. The CAS (i) describes the Bank Group's strategy based on an assessment of priorities in the country, and (ii) indicates the level and composition of assistance to be provided based on the strategy and the country's portfolio performance.</p> <p>ased on that, the Bank conducts discussion with OV to select the needed ODA projects proposed by OV. The discussion with OV is to ensure that the proposed project is anchored in the CAS and that the WB involvement is clearly spelled out. Output of this stage is Project Information document (PID). PID presents project rationale consistence with the CAS),</p>	<p>BIC sends missions to VN to study relevant sectors for its loan.</p> <p>OJ/JBIC and MPI then hold a meeting on long list of potential projects for BIC loans (valid for three years and continuously updated).</p> <p>ased on this long list and considering such factors as priority for the country, maturity in terms of preparation status and suitability for JBIC loans, OV submits a short list to OJ. JBIC sends a mission to appraise over the short list and making EIA and when JBIC and MPI sign minute of Discussion and undertake some more steps to pledge its commitment to BIC loans to VN for the fiscal year.</p>	<p>rticle 3 of Decree 17/CP establishes the priority areas for ODA.</p> <p>rticle 6 sets forth the principles for mobilization: social –economic development strategies, public investment programs, ODA attraction and utilization plan in each period.</p> <p>rticle 7 describes the procedures to prepare the National List of priority project/Programs for ODA mobilization. Basically, the procedure start from the agency in need of ODA. hey must prepare the list of priority/programs for ODA and forward it together with a brief proposal for each project/program to MPI. Such proposal must clarify the need of such project, its relevance to the master plan as well as its objectives, expected outputs, main activities, tentative duration, estimated ODA and</p>	<p>- The strategy, policy and category as well as procedures of three main donors are different in substance and formality, as well as timing of each step, that leads to confusion and embarrassment of the Vietnamese side in preparation of National List (NL), framework International Treaty (FIT) and ODA proposals.</p> <p>- For Vietnamese side:</p> <p>- Lack of master plans in many important sectors or branches of the economy or regional areas of the country; no effective linking network among sectors, branches or regions in establishing plans for long-term and medium term development and for allocation of ODA resources</p> <p>- The NL is not stable and not firmly established. It is subject to frequent changes;</p> <p>- Lack of criteria to select ODA projects to be put in the priority List;</p> <p>- The line ministries,</p>

	<p>conomic development and trends; analyzes macro and sectoral policy issues; discusses development plans and priorities with GOV; these discussion and findings form a basis for the identification and selection of project and TA proposals for possible DB assistance and for high commitment of GOV is firm or likely to be available.</p> <p>The output of this study and discussion is a country program covering a rolling three-year period representing in the Country Assistance Plan (CAP).</p>	<p>composition, potential benefits/risks, etc.</p>		<p>counterpart funds, expected impacts on various aspects.</p> <p>PI will then incorporate all proposals into a National List (NL) in consultation with MOF, MOFA, Government office, which is to be forwarded to all donors.</p> <p>According to Article 9, NL shall be a basis for GOV to negotiate and conclude the framework International treaty ("FIT") with each interested donor. Usually, FIT contains the Vietnamese applicable laws, development strategy, policy, and direction in cooperation with donors and the country's practical conditions.</p> <p>The FIT will identify some specific projects/programs that donor agreed to consider or funding, but if the FIT does not contain the specific project, MPI, based on the master plan, the plans to attract and utilize ODA, the NL and donor's policy and strategy, notifies the Agency on need of ODA for preparation of proposals of ODA projects, then forward</p>	<p>provincial/city people committee's lack adequate information on ODA resources, so they cannot actively or concretely propose their need of ODA.</p> <p>- In terms of institutional constraints, lack of preparation units in charge in the Agencies in need of ODA.</p> <p>Proposed solutions: implement the donors' and GOV's procedures in harmonized and consistent manners with efficient and effective information exchange in the stage of the Identification. Simplify and streamline the GOV's procedures. Strengthen capacity of GOV to prepare Public Investment Plan (PIP), Long-term Development plans including Five-year Plans.</p>
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<p>Preparation and Preappraisal</p>	<p>act-Finding Mission is sent to VN. The preparation of the project brief on the basis of feasibility study is mandatory prior to the fielding of the fact-finding mission for loan proposal. The mission obtains detailed information on all aspects of the proposed project including technical, financial economic, legal, institutional, social environmental and policy matters required to provide sufficient justification to proceed to the next stage of appraisal. This is a very important stage in the processing of loan. The findings of the feasibility report, and the material collected by and the findings of the mission, are suitably incorporated into an aide memoire of memorandum of understanding (MOU) and provide the basis for the draft of Report and recommendation of the resident (RRP). The MOU also describes the</p>	<p>discuss PID with GOV to reach understanding on project objectives, composition, institutional arrangements, etc. and agree on timetable, accordingly GOV drafts preliminary project Implementation Plan (PIP). PIP presents main project components, implementation plan, and arrangements for monitoring and evaluation.</p> <p>GOV, assisted by WB' staff and consultants, drafts preliminary operational plan. Plan presents arrangements for effective project operation, including performance indicators for monitoring and evaluation.</p> <p>WB prepares preappraisal package that highlights issues/recommendations requiring approval.</p>	<p>In case of need when the project preparation is not adequate enough, JBIC provides a SAPROF to VN to help the formation of a candidate project for JBIC loan. This assistance is provided based on a request by relevant VN agencies. SAPROF conducts a detailed study to produce a concrete implementation plan for the project, which becomes a base for the forthcoming JBIC appraisal. GOJ then sends a mission to discuss over the requested projects. The mission is part of the process of screening the requested projects to determine the projects for JBIC appraisal.</p>	<p>them to donors for agreement.</p> <p>Article 14 of Decree 17: within 15 working days from the date of receipt of an official notification of MPI on donor's agreement to consider funding the ODA project, the Agency in need of ODA shall establish a project Preparation Unit (PPU). The PPU shall prepare project Preparation Plan (PPP). PPP should contain objectives and expected outputs of preparation process and required contents of project documents, sequence of steps and main outputs of each step, division of tasks, organizations need to be encouraged to participate in the preparation process, identify discrepancies between Vietnamese procedures and those of the donor and measures to harmonize these procedures.</p> <p>Articles 16, 17, 18, 19 set forth the outlines and main elements of Pre-Feasibility Study and Feasibility Study of all kind of ODA projects.</p> <p>Article 22 of Decree 52 requires the Agency in need</p>	<p>existing problems prevailing in the Vietnamese side are as follows:</p> <p>Project Preparation Units (PPU) as not been established yet, therefore in the Agency in need of ODA, there is no responsible person or unit to undertake such kind of preparation works. Staff to constitute PPU does not have enough knowledge and experience about ODA procedures and regulations. Although Article 18 and 32 of Decree 52 set forth the stipulation about the local counterpart fund for preparation of Pre-Fs and FS, actual fund for preparation works is normally available after the ODA project has been decided. More timely and sufficient provision is needed for preparing sufficient information and data in advance for proper decision-makings. The local counterpart fund for preparation of ODA project is usually insufficient to finance quality studies to smoothen the following implementation processes. It often leads to the need to revise the study results afterwards and too much dependence on foreign technical</p>
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	<p>agreements or understanding reached between the mission and OV.</p> <p>DB sends a Pre-appraisal Mission to VN or a loan proposal when major issues relating to the scope, design, implementation, and policy framework of project still remain to be resolved.</p>			<p>f ODA (investor) to prepare the Investment Plan (Pre-FS or FS). The Investors can do it by themselves or hiring consultants.</p>	<p>assistance.</p> <p>procedures in this stage are not clear to put themselves into practice. For instance, Article 14 instructs that PPU shall act as a focal point in coordinating with other relevant domestic agencies...". However, what are the relevant agencies and what procedural flow should PPU follow to make the coordination?</p> <p>objectives and outputs of many capacity building and institutional strengthening projects are not clearly defined and not carefully selected.</p>
Appraisal	<p>Following approval at the Management Review Meeting (MRM), pre-appraisal/appraisal of the loan proposal will be undertaken. A pre-appraisal mission is sent when major issues relating to the design, justification or implementation of a loan proposal and/or policy or institutional issues remain to be resolved and full appraisal mission is unlikely to be effective without their resolution.</p> <p>towards the end of the</p>	<p>Finalize appraisal arrangements with GOV to agree on issues and on composition and timing of appraisal mission. Before the appraisal mission's departure, WB must officially receive any required environmental assessment or analysis, including a plan for any resettlement of indigenous people. WB then carries out appraisal and submits aide-memoire. The Aide-memoire summarizes: (i) main findings/understandings reached by mission, and (b) actions to be completed by</p>	<p>BIC's appraisal normally consists of the following steps:</p> <p>- Examination of project-Related documents and information: JBIC reviews national, regional and sector development policies programs in order to confirm the projects priority in them, and examines the FS, implementation program and other project-related information and data received from the GOV at the time of the loan request,</p>	<p>Article 21 of Decree 17: all project documents (including Pre-FS and FS) shall be appraised and submitted to the competent authority for approval prior to official negotiation with donors.</p> <p>Depending on the category of ODA project, the appraising agency shall be MPI, Provincial/City People's Committees or Line Ministries. During the appraisal process, the appraising agency shall consult with the donors. All agreements or disagreements between related parties</p>	<p>problems:</p> <ul style="list-style-type: none"> - Lack of the time frames and guidelines on issues to be appraised being applicable to each different donor; - The allocations of responsibility of each relevant agency in appraisal of ODA project are not specified. - The project appraisal and approval are often prolonged because of a lot of amendments and revisions needed during the processes. In addition, the procedures to be followed to make amendments and revisions are cumbersome and time consuming.

<p>loan fact-finding stage and project appraisal stage, normally a memorandum of understanding (MOU) is prepared and agreement of the GOV is obtained. The MOU records the understanding reached between the borrower and executing agency on the one hand and the ADB on the other in respect of project objectives, scope, cost estimates and financing plan, implementation schedule, procurement arrangements for goods and services, retroactive financing, conditions, if any, for further processing, etc.</p> <p>draft of Project Administration Memorandum (PAM) forms a part of the MOU signed at the appraisal. The PAM includes the project (logical) framework and incorporates details of procurement, contract packaging, consultant selection, activities schedule of implementation, quantified</p>	<p>OV/WB, schedule, etc. The mission reaches agreement with GOV on all aspects of the project, including PIP and operational plan.</p> <p>JBIC will then prepare and review Staff Appraisal Report (SAR) and Memorandum and Recommendation of the Resident (MOP). SAR describes project's principal aspects, justification, and implementation; includes most important elements of PIP. Submit pre-negotiation package to Assistance General Counsel Operations, or clearance, and to Regional vice President (RVP) for approval of negotiations. Package consists of green cover SAR, draft PIP, draft MOP, and draft Notice of Invitation to negotiation.</p>	<p>request even before. Such examination enables JBIC to obtain a clear picture of the project, identifying problems and points requiring further clarification, and to decide its policy regarding appraisal of the project and project plan concerned.</p> <p>- Request for supplementary information and Data: If it is judged that the project information JBIC has received at the time of the loan request does not contain information/data sufficient to permit adequate appraisal, JBIC requests the GOV, in the form of questionnaires, for supplementary information and data on the project before sending the appraisal mission.</p> <p>- Sending Appraisal mission: A field appraisal mission is sent to fully investigate the need for FS and overall preparation of the project and to confirm its suitability for JBIC financing from various angles. At the final stage of appraisal activities in VN,</p>	<p>should be reflected in the appraisal report.</p> <p>The appraising agency shall collect comments from concerned agencies and prepare a consolidated appraisal report for submission to the authority approving the content of the project. The appraisal report shall contain clear comments on: (i) accuracy and easibility of data, rational, calculations, conclusions and recommendations contained in the appraisal documents; ii) feasibility of the project; iii) appropriateness of ODA utilization under the project; iv) constraints and problems as well as directions, measures, time frames and organizations responsible for addressing these constraints and problems; (v) commitments to change in policy matters and mechanisms; requirements, effective pre-conditions and conditions for lending of the loan; (vi) recommending the agency to play a leading role in negotiation with the donor; and (vii) draft of decision for approving the</p>	<p>- The approval of F/S by GOV usually comes after the loan agreements, because the determination of the fund source is the prerequisite of the FS approval (Article 24 of Decree 2/CP and Article 54.4 of Decree 7).</p> <p>The problems are twofold: (i) the delay in F/S approval after the loan agreement; and (ii) discrepancy between the contents of the approved F/S and the donors' appraisal results. This process prevents prompt commencement of the Project implementation and often requires prolonged process of re-reparation and approval. The domestically approved contents often deviate from the results of the Donors' Appraisal which is mainly based on their own F/S and Designs. It necessarily brings various types of hindrance on smooth project implementation afterwards and sometimes leads to a significant amount of Unused Balance of the Project Cost in the course of project Implementation.</p>
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	<p>output elements, targets and indicators necessary for benefit monitoring and valuation, and the like.</p>		<p>Minutes of Discussion (MOD) is signed between JBIC and the Executing Agencies on a project-by-project basis. Basis of agreement on a project and measures to be taken in the course of implementation is included in MOD.</p> <p>- Examination of the result of Appraisal: The appraisal mission reports the results of its appraisal of the project, i.e., its assessment of the overall status of the project, its suitability for JBIC financing and where necessary, special conditions to be considered which should be stipulated in the loan agreement or project memorandum, to the JBIC Board and then the GOJ. The final decision regarding financing is made by the GOJ based on the results of the JBIC appraisal.</p>	<p>Contents of the projects.</p>	
<p>Negotiation and Signing</p>	<p>After the ADB Board approval of the loan proposal, the Program Department, in consultation with other concerned</p>	<p>Send Invitation to negotiation to GOV. The negotiations will reach agreement on project conditionality, PIP, identify and discuss confidential</p>	<p>The GOJ normally announces its decision to extend a loan to a Borrower at an international conference, such as consultative group meeting</p>	<p>Decree 17 Article 23: The basis for the negotiation of treaty on ODA is those ODA project documents (basically they are feasibility study reports) which have been</p>	<p>As commonly observed in other phases of the project cycle, requirements and procedures of different donors vary and are complicated, which often brings confusion to especially the</p>

	<p>departments/offices, is responsible for matters pertaining to loan signing and loan effectiveness. The Program Manager (PM) will inform the GOV and executing agency by fax or cable of the Board's decision and finish the name of the project department staff directly responsible for the administration of the loan.</p> <p>Standard procedure for signing of the loan agreements are as follows:</p> <ul style="list-style-type: none"> - ADB approvals of loans are on the basis that the validity of the approval would lapse automatically after 12 months, unless within that period, the loan agreements are signed or the validity is extended specifically for a further period. This condition would be indicated to the GOV in the routine communication sent by ADB after the approval of the loan; - If loan agreement remains unsigned three months after approval of 	<p>material in SAR.</p> <p>Agreed/expected date of loan signing is important if retroactive financing is involved. Prepare the Minutes of Negotiations; revise legal documents. The Minutes record amendments to draft legal documents, material changes agreed during negotiations. Revisions of legal documents reflect outcome of negotiations.</p>	<p>through the Japanese Embassy.</p> <p>This is termed "Prior notification". Following this, the two governments enter into negotiations on the formal agreement. When agreement has been reached, the two governments sign and exchange notes confirming the matters agreed upon. This is known as Exchange of Note (E/N), stipulating the name of the project, the amount and terms and conditions of the loan, and other bilateral matters, such as tax treatment or marine insurance.</p> <p>BIC and GOV then engage in loan agreement negotiations on the bilateral contract. The loan agreement, by which JBIC makes its financing commitment, states in detail the loan amount with terms and conditions, the purpose, scope and content of the project, the executing Agency, procurement procedures, disbursement procedures,</p>	<p>approved by VN authorities. MPI shall notify the donor of the approval of the contents of ODA project. Upon receiving the donor's endorsement, MPI shall notify the Executing Agency and request their cooperation in preparing for the negotiations.</p> <p>Under the Decree, there are a number of agencies that can be authorized to chair the negotiation for treaty. It can be the Agency in need of ODA, Ministry of Finance, State Bank of Vietnam, or a Prime Minister's authorized agency.</p> <p>At the completion of negotiation, the chairing agency shall report on the results of negotiations and draft specific international treaty on ODA. The document shall be submitted to the Prime Minister being accompanied by written comments from MPI, MOF and MOFA.</p> <p>Procedures for the conclusion, submission of the original text and ratification of a specific international</p>	<p>executing agencies and PMUs.</p> <p>Another reason causing delay in ODA project implementation is a lack of coordination among relevant authorities, i.e. executing Agencies, Line Ministries, People's Committees, PI, MOF, MOFA, President's office, etc.. It usually takes a long time to get relevant approvals or written comments.</p>
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	<p>he loan, the ADB will issue a formal remainder to the GOV, requesting early signing of the loan;</p> <ul style="list-style-type: none"> - At the expiry of 12 months, if the loan agreement remains unsigned, the Program and Project Directors concerned will recommend to the resident: - to allow the validity of the loan approval to lapse, or - to extend its validity for further period which except in a very special circumstances, would be a maximum of three months; - in the event of an extension under 3 b) above, the validity of the approval would lapse on the expiry of the extended period. 		<p>and the General Terms and conditions, the latter being known as the GTC.</p>	<p>agreement on ODA shall comply with the Ordinance on the Conclusion and Implementation of International Treaties of Vietnam” and other relevant regulations.</p>	
Procurement		see Next Section of this chapter.	see Next Section of this chapter.		
Disbursement, Monitoring & Evaluation	see the separate Chapters 3 and 4 respectively.				

2. Procurement

Currently the draft Ordinance regarding Tendering is still under review. The effective regulation on public procurement at the moment is the Decree No. 88/CP, 1999, and it will be replaced by the Ordinance after it has been authorized and executed. The following is a summary of comments raised both by the World Bank and JBIC respectively against the contents of the current Decree No. 88.

Items	Decree 88/CP of GOV	WB	JBIC
<p>Chapter I General Provisions</p> <p>Objectives</p>	<p>Article 2 Objectives 2 c) Project funded by aid from international or foreign organizations shall be implemented based on the treaty signed by the parties (the donors and the Vietnamese party). Where there are provisions in the draft treaty which are inconsistent with these Regulations, the body responsible for negotiating and signing the treaty must, before signing, submit same to the Prime Minister for consideration and decision.</p>		<p>According to this article, inconsistency between the Decree and JBIC Guidelines should be cleared before signing Loan agreement. However, it is confirmed by JBIC and PI that in case there is any discrepancy in the procurement procedure between the domestic regulations and donor guidelines, the donor regulation shall overrule.</p>
<p>Definitions</p>	<p>Article 3 Interpretation of Terms</p> <p>Examination”, “Evaluation and Comparison” of Bids</p>	<p>There are some inaccurately used terms and definitions that must be corrected. Bid Examination” –as per Decree- is a process where bid inviting party proceeds to examining, evaluating, ranking bids for electing the winner. This definition is vague, ambiguous and conducive to misinterpretation. After the bid opening, the board/panel proceeds to: <i>Examination of bids</i>, that is, ascertaining whether the bids (i) meet the eligibility requirements specified in bidding documents, (ii) have been properly signed, (iii) are accompanied by the required securities, (iv) are otherwise generally in order. If a bid is not substantially</p>	

	<p>6. Files for Bid Invitation</p> <p>1. Shortlist</p> <p>9. The contract-awarding price shall not be higher than the tender package price in the approved tendering plan.</p>	<p>responsive, that is, it contains material deviations from or reservations to the terms, conditions, and specifications in the bidding documents, it shall not be considered further.</p> <p><i>Evaluation and comparison of bids to find out the bid with the lowest evaluated cost for contract awarding.</i></p> <p>o, properly speaking, bid examination is only a first step in all the evaluation process.</p> <p>Files for Bid Invitation” must be renamed as “Bidding Documents” or “Tender documents” because these are documents, not files, according to international practice.</p> <p>point 21 defines that “shortlist” is a list of contractors having been shortened <i>through valuation steps</i>. It is wrong, because shortlist is obtained <i>through requalification stage</i>.</p>	<p>Although it depends on the reliability of the estimated tender price, it is common that contract-awarding price is higher than estimated tender price. Normally (although negotiation price is forbidden) if the actual tender price falls within an acceptable range, the differences are usually adjusted at the time of contract negotiation with the lowest-evaluated bidder. There is, however, a concern that this article might lead to the negotiation on the price prior to the award.</p>
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	3. 34. “Bid Bond/Security”, Performance Bond/Security”	Bid Bond/Security” and “Performance Bond/Security” being erroneously defined as “fact”, whilst these bonds/securities are in the form of a <i>certified check, a letter of credit or a bank guarantee from a reputable bank</i> . On practice, cash is not used for bid bond, performance bond.	
Dual envelope tendering	Article 5. Methods of tendering . Dual envelope tendering By this method, the tender shall submit technical and financial proposals in two separate envelopes at the same time. The technical proposal envelope shall be first considered for assessment. The tenderers which achieve a technical score of 70% or over shall have their financial proposal envelope opened and considered. This method only applies to tendering for selection of consultants.		For selection of consultant, this article is inconsistent with JBIC guidelines. (JBIC guideline does not allow financial assessment for selection of consultants). It is confirmed between JBIC and MPI that JBIC Guidelines shall overrule. Although this article only allows dual envelope tendering for selection of consultant, Article 30-2 and 41-2 appear to allow dual envelope method to procurement for equipment/goods or civil works with 70% score-clearance on technical aspect. This condition should be clarified.
Two-stage bidding”	Article 5. Two-stage bidding	Two-stage bidding” an imitation from JBIC guidelines, for packages of procurement of goods and works with value of VND 500 billion and over, as well as bid packages requiring selection of complete equipment with advanced technologies, or relating to complicated building works and turnkey contracts. Paradoxically enough, Decree 88/CP stipulates that “in the first stage, bidders submit bids consisting of technical	

		<p>proposals <i>plus financial alternatives</i> without price) for bid inviting party to consider”</p> <p>nobody could understand what are financial alternatives but without price!! or is it only mode of payment?).</p>	
Price adjustment	<p>Article 7. Adjustments to the value of contract</p> <p>. The adjusted value of the contract shall not exceed the total estimated budget or price of the tender package set out in the approved tendering plan. The total value of adjustments and value of contract of the project shall not exceed the approved total invested capital.</p>		<p>Normally the limit of price adjustment shall be based on the contract price, not estimated budget,</p>
Certificate of business registration	<p>Article 9 Conditions for conducting tendering</p> <p>. A participating tenderer must satisfy all the following conditions:</p> <p>a) Having a certificate of business registration, in the case of tendering for procurement of complex equipment referred to in the tender invitation documents, apart from the certificate of business registration, a copy of the license to sell goods subject to patent rights of the manufacture shall be required;</p>		<p>It is confirmed between JBIC and MPI that the “certificate of business registration” here is not limited to vietnamese ones.</p>
Preferential treatment for tenderers	<p>Article 10. Conditions for international tendering and preferential treatment for tenderers</p> <p>. “In case two bids are evaluated as equal, the one with a higher rate of labour shall prevail”.</p>	<p>This practice of preferential treatment to the use of more labour (meaning manual worker) much appreciated in the past in the context of abundance of jobless people is now entirely obsolete and totally unacceptable, with an essential requirement of building works being high</p>	<p>All of the clause in the Article 10 are not acceptable in light of JBIC guidelines.</p> <p>It is confirmed between JBIC and MPI that the JBIC guideline shall overrule.</p>

		quality ensured by advanced technologies and modern equipment.	
Period of preparation of tenders and period of validity of tenders	Article 12. . Based on scope and complex nature of bid package, the minimal time for preparation of bids is 15 days regarding domestic bidding (7 days for small scale package) 30 days for international bidding, since the issuance date of bidding documents”.	How about maximal time ?	
Tender opening, tender consideration, submission [of tendering result] for approval, and announcement of tendering result	Article 13 . Tender consideration b) The method of assessment price shall be used for tender packages for procurements of goods or for construction and installation in the following two steps: step 1: Using a point system for assessment in terms of the technical aspect in order to select a shortlist (namely the list of tenderers basically satisfying the tender invitation documents on the basis of the criteria for assessment); step 2: Determining the assessment price in respect of tenders included in the shortlist for classification.		According to this article, the tender valuation is made using a point system to select a shortlist of technically qualified tenderers, then financial evaluation is conducted to the shortlisted companies. In principle of JBIC guidelines, a tender which offers lowest evaluated price shall be awarded from tenders who satisfy the requirements in the tender documents. In light of basic policy of JBIC guidelines to respect technical aspect of the assessment, the method in this article may be one of the options. However, the clear criteria for the assessment is necessary in order to avoid arbitrary assessment.
Chapter II Tendering for Selection of Consultants The currency , taxes and language used in tender documents	Article 14. . The tendering currency is the currency stipulated by the party calling for tenders in the tender invitation documents on the principle of one currency for a volume of goods offered. During assessment and comparison of tenders, the applicable rates of exchange between Vietnamese Dong and foreign		In this article, the tendering currency is the only currency on the principle of one currency. Multiple currencies, however, should be allowed on foreign currency portion and local currency portion of goods and services.

	<p>urrencies shall be the exchange rates published by the State Bank of Vietnam at the time of the tender opening.</p>		
<p>Contents of consulting services</p>	<p>rticle 17 Content of consultancy</p>	<p>mong the consultants for project reparation, besides four work groups mentioned, it is necessary to add: research for invest opportunities (market survey)”; the fourth work group Assessment of planing reports, evelopment master plans, of pre-easibility studies and feasibility studies” ust be followed by an important tatement: “elaborated by another unit” for nsuring objectivity, neutrality.</p>	
<p>Forms of consultancy</p>	<p>rticle 18 orms of consultancy include: overnmental or non-governmental onsultancy organizations operating in ccordance with Law; ndependent experts or experts of an rganization operating in accordance with aw.</p>	<p>The way to classify types of consultants into two categories: government or non-governmental consultants, free lance consultants or consultants under an rganization, appears to be very nappropriate, inaccurate. That is just a lassification of consultants by dministrative, bureaucratic manner. nder the “types of consultants”, we mean iffereent specific fields of consulting ctivities such as strategy/policy onultants, investment/construction onultants, management/business onultants etc.. istinguishing consultants per dministrative status does not make sense, ince consultants must be independent, at east by thinking and action.</p>	<p>t is confirmed between MPI and JBIC hat the “law” here includes those of other ountries.</p>
<p>Requirement in respect of consultants</p>	<p>rticle 19</p>		<p>t is confirmed between MPI and JBIC</p>

	<p>. A consultant must have sufficient professional qualifications as required by the tender invitation documents. A consultancy expert must have certification of relevant professional qualifications.</p>		<p>that the “Professional qualification” here includes foreign qualification.</p>
Tendering procedures	<p>Article 20 The organization of a tendering for election of consultants shall be carried out in accordance with the following procedures:</p> <p>. Formulation of the tender invitation document which consist of: dd) Preferential conditions (if any) . Opening financial proposal envelopes: financial proposal envelopes of tenderers achieving seventy (70) per cent or more of the total technical scores in accordance with the provisions stipulated in clause 1 of article 13 of these Regulations shall be concurrently opened. . General assessment: Marking for classification must be based on the proportion of technical score to price score on the same ground referred to in the tender invitation documents; the percentage of price scores shall not exceed thirty (30) per cent of the total scores.</p>	<p>Compilation of Bidding Documents”, there is a second content of bidding documents entitled “Terms of Reference – OR” translated literally, but grotesquely into Vietnamese as “Dieu khoan tham chieu”, while in international business circle, the full meaning is “Terms of reference for Assignment”. In Vietnam, by popular interpretation and habit of use, the term “tham chieu” expresses something loose, not obligatory one could do or not. So, for ensuring proper interpretation, the word “Reference” must be translated in Vietnamese as “giao viec” meaning: assignment of work” for more accuracy and appropriateness.</p>	<p>about “Preferential condition”, all of the clauses in the Article 10 are not acceptable in light of JBIC guidelines. It is confirmed between JBIC and MPI that the JBIC guideline shall overrule. Same as Article 10)</p> <p>assessment for consultants should not include price aspect in JBIC guidelines. It is confirmed between JBIC and MPI that JBIC guideline shall govern.</p>
Chapter III Tendering for Procurement of Goods		<p>about Chapters III and IV (Procurement of Works), there is a concept to be reaffirmed, i.e. the “shortlist issue. According to common international practice, the shortlist being set up through requalification stage, usually comprises 5 to 7 bidders (companies or consortium)</p>	

		<p>having been screened by selective criteria from many contractors with intent to participate in the bidding and having submitted prequalification files.</p> <p>These 5 to 7 contractors in the shortlist will receive Bidding Documents from the project owner (or the bid inviting party, as per Vietnamese writings) for compiling bids to be submitted to the project owner for examination and evaluation.</p> <p>In case of restricted bidding without recourse to prequalification since the project owner has grasped a shortlist of qualified and experienced contractors, then after selecting the winner, the project owner shall proceed to postqualification or in-depth verifying.</p> <p>Decree 88/CP lacks regulation on postqualification stage.</p>	
PQ	<p>Article 23</p> <p>. The prequalification of tenderers shall apply to tender package whose value is three hundred billion (300,000,000,000) or more Vietnamese dong in order to select adequately capable and experienced tenderers to implement [the project] and to satisfy the requirements set out in the tender invitation documents.</p>		<p>In this article, P/Q of tendering for procurement of goods has to be more than 100 billion VND (about 2.7 billion yen).</p> <p>Although depending of the comments of procurement lot, JBIC recommends P/Q with procurement more than 1 billion yen.</p> <p>It is confirmed that in case of JBIC project, the procedure follows the JBIC recommendation.</p>
Tender invitation documents	<p>Article 24 Tender invitation documents.. preferential conditions (if any)</p>		<p>About “Preferential conditions” same as Article 20-1 (dd), Article 10</p>
Business registration	<p>Article 27 Tenders</p>		<p>About “business registration”</p>

	<p>tenders shall include the following:</p> <p>a) Administrative and legal documents:</p> <p>b) A copy of the certificate of business registration. In the case of procurement of complex equipment referred to in the tender invitation documents, apart from the certificate of business registration, a copy of the license to sell goods subject to patent right of the manufacturer shall be required;</p>		<p>It is confirmed between JBIC and MPI that the “certificate of business registration” here is not limited to Vietnam’s ones. Same as Article 9-2 (a))</p>
<p>Assessment of tender</p>	<p>Article 30</p> <p>a) Detail assessment</p> <p>Detail assessment is carried out in accordance with the method of assessment price and consists of the following two steps:</p> <p>step 1: Assessment of technical aspects in order to select a shortlist:</p> <p>The assessment is carried out on the basis of the requirements and criteria for assessment set out in the tender invitation document and the criteria for detailed assessment which are not contrary to the criteria for assessment set out in the tender invitation document and approved by the authorized person or the competent authority prior to the time of tender opening. Tenderers achieving seventy (70) per cent or more of the total technical scores shall be shortlisted.</p> <p>step 2: Assessment of financial and commercial aspects</p> <p>The assessment of financial and commercial aspects of tenders submitted by shortlisted tenderers shall be carried out</p>		<p>Tenderers achieving 70% or more of the total technical scores shall be shortlisted and followed by price adjustment. Same as Article 13-2-(b)</p>

	<p>on the basis of the same scale in accordance with the approved criteria assessment.</p> <p>The assessment of financial for the purpose of determining the assessment price shall include the following:</p> <ul style="list-style-type: none"> Error rectification; Discrepancy adjustment; Conversion of tender prices to the same currency; Conversion (of tender prices) to a comparable scale; Determination of assessment price of tenders. 		
Tendering result	<p>Article 31</p> <p>. Any tenderer who has a proper tender, who basically satisfies the requirements set out in the tender invitation documents, whose proposed contract awarding does not exceed the approved price of the tender package shall be considered for the award of the contract.</p>		<p>The price of prequalification of tendering or construction and installation is 200 billion VND or more.</p> <p>BIC recommends the price of requalification more than 1 billion yen. same as Article 23)</p>
<p>Chapter IV Tendering for Construction and Installation</p> <p>PQ</p>	<p>Article 34 Prequalification of tenderers.</p> <p>. The prequalification of tenderers shall apply to tender packages whose value is two hundred billion (200,000,000,000) or more Vietnamese dong in order to select adequately capable and experienced tenderers to implement (the project) and to satisfy the requirements set out in the tender invitation documents.</p>		<p>The price of prequalification of tendering or construction and installation is 200 billion VND or more.</p> <p>BIC recommends the price of requalification more than one billion yen Same as Article 23)</p>
Tender invitation documents	Article 35		about “preferential conditions”

	<p>tender documents shall include the following:</p> <p>. Preferential conditions (if any)</p>		<p>same as Article 24-4, Article 20-1 (dd), Article 10</p>
Tenders	<p>Article 38</p> <p>tenders for construction and installation shall include the following:</p> <p>. Administrative and legal matters</p> <p>b) A copy of the business license;</p>		<p>about "business license"</p> <p>same as Article 9-2-(a), Article 27-1-(b)</p>
Assessment of tenders	<p>Article 41</p> <p>tenders shall be assessed in accordance with the following order:</p> <p>detailed assessment</p> <p>detailed assessment is carried out in accordance with the method of assessment price and includes two steps as follows:</p> <p>step 1: Assessment of technical aspects in order to select a shortlist</p> <p>The assessment is carried out on the basis of the requirements and criteria for assessment set out in the tender invitation documents and the criteria for detailed assessment approved by the authorized person or the competent authority prior to the time of tender opening, Tenderers achieving seventy (70) per cent or more of the total technical score shall be shortlisted.</p> <p>step 2: assessment of financial and commercial aspects</p> <p>The assessment of financial and commercial aspects of shortlisted tenderers shall be carried out on the basis of the same scale in accordance with the approved criteria for assessment.</p>		<p>tenderers achieving 70% or more of the total technical scores shall be short-listed and followed by price adjustment.</p> <p>same as Article 13-2-(b), Article 30-2</p>

	<p>he assessment of financial and commercial aspects for the purpose of determining assessment price shall include the following:</p> <ul style="list-style-type: none"> Error rectification; Discrepancy adjustment; Conversion of tender prices to the same currency; Conversion (of tender prices) to a comparable scale; Determination of assessment price of tenders. 		
Contract-awarding price	<p>Article 42 Tendering results</p> <ul style="list-style-type: none"> Any tenderer who has a proper tender, who is basically satisfied the requirements set out in the the tender invitation documents, whose assessment price is lowest and whose proposed contract awarding price does not exceed the approved price of the tender package, total estimated budget or estimated budget where the total estimated budget is lower than the approved price of the tender package) shall be considered for the award of the contract. 		<p>the contract-awarding price shall not exceed the approved price of the tender package price. same as Article 3-29, Article 31-1</p>
Price re-offering	<p>Article 55 Dealing with problems during tendering</p> <ul style="list-style-type: none"> Where tender prices of all tenders whose arithmetical errors have been rectified or which have been supplemented or adjusted in accordance with the requirements set out in the tender invitation documents 		<p>about “price re-offering” same as Article 3-29, Article 31-1, Article 32-1.</p>

	<p>exceed the price of the tender package stated in the approved tendering plan, the party calling for tenders shall report the matter to the authorized person or the competent authority for consolidation to permit tenderers whose tenders basically satisfy the requirements set out in the tender invitation documents to re-offer prices or, at the same time of price re-offering, re-consider the price of the tender package stated in the approved tendering plan and contents of the tender invitation documents (where necessary)</p>		
Price limit for errors	<p>Article 55 Dealing with problems during tendering</p> <p>The tender shall be rejected in one of the following circumstances:</p> <p>The tenderer does not accept arithmetical errors identified and requested to be rectified by the party calling for tenders, or as an arithmetical error causing a difference of more than fifteen (15) per cent from the tender price.</p> <p>The total value of discrepancies exceed more than ten (10) per cent of the tender price.</p>		It may not be necessary to set the price limit for errors and discrepancies.
Chapter VI Expenses and fees for tendering	<p>Article 57</p> <p>The party calling for tenders may sell tender invitation documents at the selling price determined by the authorized person or the competent authority; in the case of domestic tendering, the price of a set of</p>		<p>The party calling for tenders may sell invitation letter for tendering of consultants.</p> <p>According to JBIC, documents related to the selection of consultants should not be subject to retails.</p>

	<p>ender invitation documents shall not exceed five hundred thousand (500,000) dong; in the case of international tendering, [the price] shall be determined in accordance with international practices; and no other fee shall be collected from bidders.</p> <p>Utilization of revenue must comply with the law.</p>		
Chapter VII Inspection and dealing with Breaches			<p>It is confirmed that there is no change in the role of MPI and Prime Minister's office in this new decree.</p>

<Source: (1) "General Remarks on Structure & Contents of the Decree 88/CP on Regulations on Procurement as Compared with World Bank's Guidelines – Procurement under IBRD Loans & IDA Credits (International Competitive Bidding)" by IDF T/A for "Development of Decentralized Implementation Systems through Capacity Building", November 30, 2001, (2) "Comments on Decree No.88-1999-ND-CP, September 4, 1999 (Decree on Tendering)" by the JBIC Hanoi Representative Office, January 17, 2000.>

CHAPTER II OVERVIEW OF CONSTRAINTS AND PROBLEMS IN VIETNAMESE ODA OPERATION AND MANAGEMENT

SUBJECT	MAJOR PROBLEMS AND CONSTRAINTS
Overall Policy and Legal Frameworks on ODA	GOV has not established single, comprehensive and consistent policy and legal frameworks for ODA operation and management. Accordingly, there still exist overlaps and/or inconsistencies among policy executions and relevant regulations in ODA issues.
Project Preparation and Approval Processes	<p>Problems:</p> <ol style="list-style-type: none"> 1. Decision-making process for ODA funded investment project is still lengthy. 2. Unacceptably long time in starting-up ODA projects, especially loan signing and loan effectuation. 3. Confusions by PMUs, Executing Agency, Line Ministries and other relevant agencies on the donors' guidelines and rules, as well as the Vietnamese regulations on ODA operation and management. 4. Delay in the F/S approvals after the loan signing, and discrepancy between the content of the approved F/S and the donors' appraisal results. <p>Reasons:</p> <ol style="list-style-type: none"> 1. The Decision-making process is still highly centralized and it has to go through a long consensus building process. The approval procedure involves many concerned departments in government ministries. Typically, the process starts with internal examination at PMU, followed by agreements among inter-ministerial departments, its supervising ministry, MPI, and finally goes to the OOG for its approval before obtaining final approval of the PM. It not only complicates the approval process and causes delay, but also hinders flexible treatments since PMUs and Executing Agency tend to avoid making changes even if it is deemed reasonable to do so. 2. Lengthy GOV's procedures and regulations in approving loan agreement; lengthy procedures and regulations for the approval to sign subsidiary loan agreements between the central government and the concerned executing agencies and PMUs; cumbersome and slow approval in the implementation support and management structure of the projects (lack of appropriate budgetary allocation to project preparation, particularly for resettlement costs; it is often the case that PMU is appointed after donor's project appraisal. In quite a few cases, PMU is appointed after the loan signing); lack of clarity and detailed implementation guidelines; lack of appropriate delegation of authority to PMUs. 3. PMUs, Executing Agencies, Line Ministries sometimes give priority to Vietnamese domestic regulations or political decisions, and neglect the government-donor mutual agreement. In many cases, PMUs are not aware of the superiority of the bilateral agreement over the domestic

	<p>regulations such as Decree 88/CP on Bidding.</p> <p>4. The approval of F/S by GOV usually comes after the loan signing, because the determination of the fund source is the prerequisite of the FS approval (Article 24 of Decree 52/CP, etc.).</p>
Project Implementation Arrangements	<p>Problems: It takes a long time from project approval to loan signing and its effectuation, which causes significantly slow commencement of projects.</p> <p>Reasons:</p> <ol style="list-style-type: none"> 1. Normally, PMUs can not obtain administrative and budgetary support before the loan has not been approved yet. 2. As the result, it is difficult to appoint qualified permanent project staff for PMUs. 3. Lack of useful operational and financial guidelines also affects the smooth project start-up. 4. There are lengthy process to fulfill the administrative requirements for loan effectuation and complicated process for project agreement ratification by GOV. 5. Lack of full-integration of well-thought-out and realistic resettlement plan into the project planning process, especially, lack of coordination between the PMUs and local government authorities in charge of resettlement.
Consultant Employment	<p>Problems: Significant delays in employing consultants for ODA projects, which causes inadequate up-front preparation for project implementation.</p> <p>Reasons:</p> <ol style="list-style-type: none"> 1. Lengthy GOV's internal approval process for employment of consultants. 2. Timing between the donors' concurrence and GOV's approval is not consistent. In many cases, GOV is requested clarification and modification of evaluation result of consultant's proposal at donors' concurrence.
Procurement Performance	<p>Problems: Cumbersome and lengthy approval procedures of GOV, insufficient information sealing, exposure to arbitrary pressure, and strict application of estimated price that leads to the negotiation on prices or enforced discount prior to the award.</p> <p>Reasons:</p> <ol style="list-style-type: none"> 1. Highly centralized approval process of the Government and lengthy procedures within PMUs and Executing Agencies.

	<ol style="list-style-type: none"> 2. Lack of awareness or insufficient understanding of the donors' procurement guidelines by PMUs and Executing Agencies (especially new projects in the first two years). 3. Delays in bid evaluations of ICB packages and extension of bid validity. 4. Frequent revisions in design and bid packages which require new approval process from the beginning, and 5. Interference from non-related agencies, in the bidding process.
Project Financing	<p>Problems: Inefficient disbursement performance for ODA project and inadequate preparation of capital withdrawal plan.</p> <p>Reasons:</p> <ol style="list-style-type: none"> 1. Slow submission of withdrawal applications. 2. Insufficient counterpart funds especially from provincial governments. 3. Additional counterpart funds required for payment of taxes, duties and VAT; 4. Delay and slow processing of withdrawal application for payment at the PMUs, Line Ministries and at State Treasury, Development Assistance Fund at the provincial levels and the Ministry of Finance. 5. Lack of experience in preparing the withdrawal plan by PMUs.
PMUs/Executing Agencies	<p>Problems: Lacking clear institutional status, sufficient administrative funding and proper authority to make decisions in time, PMUs can not actively and fully participate in the Project Preparation Process, and have difficulties in recruiting qualified staff.</p> <p>Reasons:</p> <ol style="list-style-type: none"> 1. Previous regulation on ODA management (former Decree 87/CP) did not provide clear definition on PMU's institutional status, especially its relation with the Executing Agencies, Project Owner/Investor and Controlling Agencies. 2. It does not define the role of PMU in the project preparation process either. 3. PMUs' manpower capacity is restricted partly due to insufficient fund available to attract quality staff with enough knowledge and experience. 4. Too many authorities and consultative bodies interfere in the decision making process of PMU.
Resettlement	<p>Problems: Prolonged site clearance, without clear and transparent procedure of resettlement.</p> <p>Reasons:</p> <ol style="list-style-type: none"> 1. No regulation on resettlement planning and requirement for the submission of resettlement plans when needed.

	<ol style="list-style-type: none"> 2. No specific guidelines on land acquisition, compensation and livelihood restoration procedures. 3. Lack of full-integration of well-thought-out and realistic resettlement plan into the project planning process. 4. Lack of coordination between the PMUs and local government authorities in charge of resettlement (such as a resettlement committee of local People's Committee).
<p>Monitoring and Evaluation</p>	<p>Problems:</p> <ol style="list-style-type: none"> 1. Vietnam still lacks a systematic monitoring and evaluation system of project accomplishments to be compared with reliable base-line data. Therefore it is difficult to measure project performance. 2. The existing monitoring systems in MPI and Line Ministries only deal with physical project implementation progress without performance evaluation.

CHAPTER III STUDY ON DISBURSEMENT AND BUDGET PLANS

The Vietnamese Government has taken several important steps through its own initiative to improve the procedures of budget preparation and ODA disbursement. New Decree 17/CP clarifies the role of MPI as a focal point to oversee ODA-financed projects, compiling annual budgetary plans for ODA projects, including a plan for ODA disbursement, a plan for counterpart funds for the preparation process, preparing for implementation and implementing ODA projects, coordinating with Ministry of Finance in ensuring full and timely availability of counterpart funds allocated from State Budget for ODA projects. In addition, Decision No.96/2000/QD/BTC has brought much improvement to the disbursement process.

Through discussions and interviews with PMUs as well as Ministry of Finance, JBIC's Mission is of opinion that the disbursement procedures provided under Decision 96 are well prepared and manageable from the PMU's point of view in general. However, some weaknesses that need further improvement have also been identified in the current disbursement system as follows.

1. Problems and issues with regard to the disbursement

1.1 Although Decision No.96 has clearly set forth the procedures of disbursement applicable to each kind of loan withdrawal; the disbursement process is still slow in reality. A survey conducted by JBIC indicated that it took approximately 47 days between the date of submission of claim for payment by contractors to PMUs and the date of Request for Disbursement sent to JBIC Hanoi Office.

Classifying expenditures into "capital investment" and "administrative/current" categories could cause complications in processing disbursement requests. The dossiers and procedures for disbursement of "capital investment" is governed by Circular 135/1999/TT-BTC of Ministry of Finance, whereas the dossiers and procedures for disbursement of "administrative/current" is governed by Circular 40/1998/TT-BTC of Ministry of Finance. The required documents as well as procedures applied to these two different kinds of expenditures are quite different. Therefore, PMUs handling projects involving both types of expenditures are encountering difficulty primarily in classifying expenditures precisely because no clear classification criteria is given in relevant regulations.

Moreover, under Decision 96, there are two controlling agencies of public expenditures; namely, (i) State Treasuries at all levels (depending on assignment of responsibility for implementation of each project) to control payment activities of projects accompanied with government budget allocation, including projects partly having capital sub-lent to the investors, (ii) Development Assistance Fund (DAF) to control the payment activities of fully sub-lent projects. In some cases where a Project has a mixture of both Budget allocation and sub-lent, disbursement requests are to be sent by PMUs to both State Treasury and DAF, which tends to cause confusion and delay in disbursement².

1.2 State Treasury plays a key role in processing payment requests for ODA as well as the counterpart funds. However, the State Treasury's procedures are not transparent to

² It sometimes happens e.g., in national project "5 Million Hectare Reforestation Project"

the relevant agencies and sometimes cause embarrassment and anxiety while waiting for the approval on the payment requests³. The Circular 135 clarifies roles and responsibilities of State Treasury, including the maximum time frame allowance for reviewing payments requests (7 days), but Circular 40 does not stipulate the time frame for State Treasury in reviewing payment requests for “administrative/current” expenditures. Therefore in practice, some PMUs are faced with a long-waiting approval for payment requests from the Provincial State Treasuries for the portion of the “administrative/current” expenditure.

1.3 Currently, there is delay in the central PMUs in reviewing the payment requests from the local PMUs. There are also delays in PMUs in reviewing invoices of the contractors. And finally, the servicing banks take at least two days to counter-sign the payment requests before they are sent to the donors. Thus, the accumulated time consumption at each step often prolongs the time frame of the total process.

1.4 During the discussion with Ministry of Finance, MOF has raised their request to JBIC that JBIC increase the frequency of monthly disbursement, and it will promote quicker disbursement processes.

2. Recommendations and Suggestions for Disbursement:

2.1 It is proposed to clearly define the categories of “capital investment” and “administrative/current” expenditures in order for the PMUs to avoid confusion when preparing the payment requests. In the long-term, it should be also considered that the two categories are merged and controlled under a single category like “expenditures for investment projects”.

2.2 Under the National Budget Law, all ODA funds and counterpart funds (including the funds for sub-lending) belong to the State Budget, therefore it would be preferable to be managed by a single governmental agency in terms of smooth projects implementation. Therefore, although Decree 43/1999/ND-CP June 1999 defines the role of Development Assistance Fund (DAF), the substantial function and significance of DAF in managing development funds should be thoroughly reviewed from a viewpoint of the necessity for its involvement.

2.3 It is recommended that the Government should strengthen capacities of the State Treasury and Development Assistance Fund with improved legal and institutional frameworks, providing more transparent disbursement procedures, proper time frame allowance for processing and systems to encourage and enforce staff to put them into practice. Particularly, the procedures to review payment requests by the State Treasuries should be transparent for all concerned parties, and time frame allowance for processing should also be clearly set forth for the review of “administrative/current” expenditures payment requests.

The Government should provide State Treasury and Development Assistance Fund with necessary training about donors’ guidelines and procedures as well as domestic official procedures. Especially, the training of the disbursement issues should be

³ Under the new ICB disbursement procedures for ADB Loans, the contractors and PMUs have to prepare 9 sets of payment request documents to be submitted to relevant authorities, the total time frame allowed for the whole disbursement process is 42 working days, but in practice, it usually takes 10-15 weeks. Ho Chi Minh’s ADB Water Supply Project (1273-VIE) showed us an extreme case in which one contractor has lost USD 400,000 as a result of the delayed payment for the bill valued at USD 65,000.

provided by the Government on a regular basis to ensure sustainable understanding of the updated disbursement guidelines of both donors and Government.

Finally, State Treasury and Development Assistance Fund at all levels should be fully staffed and well-organized in order to cope with processing the incoming documents smoothly and timely including right address internal delivery within their institutions⁴

2.4 It is recommended that the substantial function and significance of the servicing banks in processing and managing the development funds should be thoroughly reviewed from a viewpoint of the necessity for their involvement in the disbursement process.

2.5 It is recommended that there should be Standard Operating Procedures stipulated by each line ministry which clearly specify the time frame allowances for processing of (1) the central PMU's approval of payment requests from the local PMUs, (2) verification procedures of PMUs for contractors' invoices.

2.6 As a part of project monitoring works, there is a suggestion from Ministry of Finance to establish efficient mechanism for sharing information among parties concerned, especially between JBIC's Hanoi Office, JBIC Headquarters and GOV including MOF about the current status of reviewing the payment requests undertaken by JBIC.

2.7 The discussions with various PMUs and Ministry of Finance have revealed that issues prevailing in the area of the disbursement are partly caused by the PMUs' unawareness of or unfamiliarity with the disbursement procedures of both government and donors. In order to improve this situation, the following measures would be needed: Provide the contractors with full information about the disbursement procedures of GOV and JBIC to facilitate their precise preparation and smooth operation.

Provide PMUs and Line Ministries with the JBIC's Disbursement Handbook which provides detailed, transparent, simple and understandable guidelines on disbursement procedures being applied to the JBIC's projects. The Handbook should clearly illustrate steps and procedures for withdrawing and utilizing JBIC loans in each step and for each procedure, required documents (including applicable forms), agency in charge of reviewing the payment requests and time frame allowance as well as the overall procedural flow chart.

Provide PMU staff, especially accounting staff of complex projects and staff with no experience of JBIC projects, with necessary training about the whole disbursement procedures required by both GOV and JBIC. The training of the disbursement issues should be provided by the Government on a regular basis to ensure sustainable understanding of the updated disbursement guidelines of both JBIC and GOV.

3. Problems and issues with regard to the budget estimation and ODA capital withdrawal plan:

Under Decision No.96/2000/QD-BTC, annually, at the time of elaboration, submission, consideration and approval of State Budget estimation, PMUs have to prepare investment capital plans for their projects. Such plan must clearly indicate the project's expenditure forecast with regard to counterpart funds to be allocated from the State Budget as well as ODA capital withdrawal plan. Through discussion and interview with

⁴ The Mission learned from JBIC's Hanoi Office that, in some cases, requests for payment are kept at State Treasury for two weeks (permitted time frame is 5 days) because the officials in charge are absent for certain period.

PMUs and Ministry of Finance, JBIC Mission identified some weaknesses in the elaboration of this forecast.

3.1 Due to insufficient knowledge of PMU staff, especially technical knowledge of accounting staff who are in charge of preparation of the expenditure plan about construction and civil works, the budget requests prepared by PMUs are sometimes inconsistent with the cost estimates established in the project designs.

3.2 The implementation progress of projects often depends on uncontrollable or unforeseeable factors such as site clearance, resettlement performance, approvals of Pre-F/S and F/S, detailed design, bidding results etc., which makes PMUs difficult to precisely estimate the expenditure forecasts.

3.3 There are delays in budget preparation and approval process due to the inconsistency between domestic cost estimate norms (stipulated in State Budget Law) and international norms. For instance, the donor's estimation of the domestic remuneration rates are usually higher than the rates domestically stipulated in Decision No.14/2000/QD-BXD dated July 20, 2000 of Ministry of Construction.

3.4 As a result of inaccurate budget forecast, it may happen that unutilized budget of a year is carried forward to the following fiscal year, which eventually causes a shortage of budget allocation in the following years crowding out the amount that should have been assigned to the fiscal year concerned.

3.5 Under the State Budget Law, the budget requirements for new projects, which are approved after the beginning of the budget cycle (June/July), are not included in the budget plan. Therefore a new project whose implementation structure has not yet been established before the budget cycle can not start preparation until the budget allocation afterwards. This also constitutes a hindrance for prompt commencement of the project preparation and accordingly leads to a implementation delay.

3.6 Although under State Budget Law, within its approved annual budget plans, line ministries or provinces could flexibly reallocate unutilized funds among projects under their responsibilities, where there happens some sudden and new necessary packages appear in on-going projects (for example, increasing the site clearance costs and resettlement expenses) it would be difficult to readjust approved budget plans without contingency funds available for line ministries and provinces concerned

4. Recommendations and suggestions for budget plans:

4.1 In the Standard Operating Procedures to be prepared by line ministries as suggested above, there should have an efficient coordination mechanism between PMUs staff and contractors in preparing and elaborating the budget forecast. Moreover, accounting staff of PMUs should be provided with necessary training to strengthen their capabilities for preparing and elaborating budget forecast.

4.2 By the same token, PMUs should be equipped with a well-prepared Manual which provides detailed, transparent, simple and understandable elucidation on each procedural step in the project cycle from upper stream stages consisting of project identification, preparation: Pre-F/S, F/S, Detailed Design, Site Clearance and Resettlement, to project implementation including, especially, the procurement stage. Time frame allowances for each step processing should also be mentioned clearly.

4.3 It is recommended that Vietnamese Government should establish clear guidelines on the cost estimate norms, which are in line with the international standards. This should be achieved through the collaboration processes stressed in Chapter V.

4.4 It is suggested that Vietnamese Government should apply a “roll forward” system, in which a project is allowed to utilize unused last-year budget during the first quarter of the following year.

4.5 It is recommended that Ministry of Planning and Investment should include the budget requirements for new projects in the pipeline in a contingency provision. Furthermore, Ministry of Finance should also arrange a National Contingency Fund or allocation of contingency fund for possible line ministries or provinces who need budget allocation (e.g. Ministry of Transportation, Ministry of Agricultural and Rural Development, Hanoi and Ho Chi Minh City etc.)

CHAPTER IV STUDY ON THE MONITORING AND EVALUATION OF ODA PROJECTS

The Monitoring in the Vietnamese ODA management has been placing inclined focus on project implementation in terms of physical and financial progress, although establishment of systematic and standardized mechanism and procedure are currently under preparation. On the other hand, little attention has been paid to the monitoring of the progress of the stages before the project implementation after the signing of the Loan Agreement. However, taking the prevailing conditions into account, where most projects have been suffering from lengthy lead time before starting its implementation for obtaining final F/S approval by the Prime Minister, progress monitoring during that lead time period is also necessary for the total project management.

While the holistic improvement of this problem is a core issue of Chapter V of this report which will exclusively cope with the Upper-stream arrangement of the project cycle, this Chapter looks at this matter from the Monitoring viewpoint to tackle the issue from another angle.

Before focusing on the proposal for an effective monitoring system, the definitions about the Monitoring and Evaluation in respective project management of GOV and major donors are reviewed as a basis of consideration.

1. Definitions about Monitoring and Evaluation of GOV and Major Donors

1.1 World Bank: (Operational Directive OD10.70)

Monitoring: Monitoring is the continuous assessment of project implementation in relation to agreed schedules, and of the use of inputs, infrastructure, and services by project beneficiaries. Its main objectives are to provide continuous feedback on implementation, and to identify actual or potential successes and problems as early as possible to facilitate timely adjustments to project operation.

Evaluation: Evaluation is the periodic assessment of the relevant, performance, efficiency, and impact (both expected and unexpected) of the project in relation to stated objectives. There are essentially three types. An interim evaluation is undertaken by project management during implementation as a first review of progress and a prognosis of the likely effects of projects. Terminal evaluation, a similar process undertaken at the end project, is required for the Project Completion Report. A third type, Impact Evaluation is usually undertaken several years after final disbursement, and measures changes attributable to the project in terms of both direct and indirect causality.

1.2 ADB:

ADB's guidelines do not clearly define Project Monitoring, but the definition of the Benefit Monitoring and Evaluation (BME) is available in its Operation Manual 22 (Jan. 1997). BME is defined as activities to provide information about the benefits and impacts of projects and thereby to assist both the ADB and concerned organizations in borrower country in improving the effectiveness of development and related investment policy. BME comprises three distinct activities: (i) preparation and analysis of benchmark (baseline) information; (ii) monitoring benefits during implementation and after completion of a project; and (iii) evaluation of benefits of the completed project.

1.3 JBIC:

With a view to strengthening the monitoring and evaluation activities, recently JBIC has adopted a new concept that a consistent evaluation process covering the project preparation, project implementation and post-project stages must be established in order to quantitatively measure the effect and benefits of the projects.

For this purpose, the Reference for Operation and Effect Indicators has been introduced to serve as a reference tool for selecting indicators needed to continuously and quantitatively understand the project operations and effectiveness for the entire project cycle. By taking into consideration the above background, it is expected that more efficient and reliable indicators can be established by using the relevant sector indicators from the Reference when making notes in the appraisal reports and the “Operation” and “Effect” columns of Project Monitoring.

1.4 GOV:

Article 33 of Decree 17/CP: the **monitoring** of projects/programs entails regularly updating the implementation progress of the project/programs, comparing the actual performance with the planned schedule to identify difficulties and constrains (potential or actual) so as to devise effective measures to overcome and prevent such difficulties and constrains. According to Decree 17, during the implementation of an ODA project, PMUs shall prepare and submit the following reports:

- Monthly report: no later than 10 working days after the end of the month (applicable to some projects categorized as Group A);
- Quarterly report: no later than 15 working days after the end of the quarter;
- Annual report: no later than thirty working days after the end of the year;
- Terminal report: no later than six months after the completion of the project/program;
- Report to donors: at the specific request by the donor.

The evaluation of projects/programs entails conducting periodic analyses and clarification of the correlation between the actually produced outputs and the expected objectives/outputs specified in the project/program documents as well as ascertaining the compliance with the management regulations. It includes four major steps: (i) Initial evaluation; (ii) mid-term evaluation; (iii) terminal evaluation and (iv) performance evaluation (operational evaluation).

2. Vietnam – Australia Monitoring and Evaluation Strengthening Project and Ho Chi Minh ODAP’s Efforts:

2.1 Since April 1999, AusAID has been providing Technical Assistance for the development of national Monitoring & Evaluation (M&E) capability. The long-term project goal is improved management and implementation of ODA as measured by increasing disbursement rates, more efficient use of GOV resources, and an increasing proportion of successful projects. The budget line of Project is USD 700,000 to carry out the task in two years.

The objective of the project is the development of an M&E capability for provision of reliable and timely information on ODA project performance. The major outputs expected to contribute to achievement of the above objective include a systematic and standardized computer-based reporting system; a strategy for national expansion of the system and enhancement to include performance indicators.

The project is now in the mid-term of the first phase and the Chief Technical Adviser of Project is absent in country. The JBIC Mission is unable to know what extent the Project has been implemented and whether there is still a room for JBIC to help GOV and especially to MPI in the area of M&E.

2.2 During the course of conducting this study, JBIC's Mission has contacted the Official Development Assistance Partnership (ODAP) in Ho Chi Minh City to study and discuss ODAP's efforts in improving the monitoring works for those ODA projects in the area of Ho Chi Minh City. The Mission was provided by ODAP Officers with a sample of their newly developed database. That database is put on the web-site of Department of Planning and Investment (DPI) of Ho Chi Minh City. The database contains a detailed map of the project location concerned, basic information of project as well as up-dated information on the progress made during the implementation of all the ODA projects implemented in Ho Chi Minh City.

In reviewing carefully the ODAP's database, the JBIC's Mission is of opinion that this database basically contains most of the needed information for a control purpose, and it might cover all information required by Ministry of Planning and Investment⁵. It could be a good tool of monitoring that would help relevant donors and Vietnamese authorities instantly obtain knowledge of current status of project implementation and activities under practice by accessing and sharing information they need. It is recommended that MPI should closely cooperate with ODAP in developing the monitoring system at national level incorporating its database system with the AusAID's monitoring assistance.

3. Findings on the Current Practice of M&E for ODA Projects:

3.1 Under the present legal framework, former Decree 87/CP dated August 5, 1997 and Circular 15/1997/TT-BKH provided guidance on the reporting system regarding ODA projects. However, such regulations fail to satisfy information needs for the purpose of the M&E of the ODA projects. In the meantime until establish an effective monitoring system, MPI has issued the Instruction Letter No.69/BKH/KTDN dated July 9th 1999 on the supervision of the current situations of ODA Projects with large scale of investment (approximately 30 biggest projects). Those projects are monitored with information to be updated on a monthly basis. Under this legal requirement, all relevant Departments of MPI have to prepare the monthly reports to be submitted to the Foreign Economic Relations Department (FERD) of MPI. The data and information submitted are compiled by FERD and reported to the Minister. The purpose of this practice is to collectively identify the problems occurring in the implementation of those big and important projects and promptly cope with them with effective remedies. As a result, this temporary measure of monitoring is appreciated to have been contributing to smoothening the project implementation indicated by the increased disbursement rate of some of the important ODA Projects over the past years.

3.2 However, some shortcomings should be also pointed out in several aspects of the monitoring system. For instance, the present information available in the reports is limited to show only financial progress of the project implementation and fails to properly provide status of the physical progress. It also lacks information about

⁵ Kinds of information that MPI needs are specified in Decree 17/CP and Circular 15/MPI.

administrative progress before the commencement of the implementation, mainly about the domestic preparation of the Feasibility Studies and the Prime Minister's approval, which constitute a major bottleneck on any ODA projects in Vietnam.

3.3 It would be also one of the weaknesses that the present practice does not contain an incentive system, with reward and penalty, to encourage proper and timely report submission from the agencies involved. Other aspect of the weakness is that the contents and forms on information instructed to be reported by some ministerial guidance or other sub-regulations are not unified, therefore they are not so convenient to statistically aggregate or compile for collective monitoring purpose.

3.4 These practical shortcomings are basically attributed to the systematically weak present project monitoring system. At the moment, there is no particular regulation to clearly specify responsibilities to carry out the monitoring and supervision system, including who is charged with preparing, submitting, receiving and reviewing the monitoring reports, and the way they mutually cooperate.

For instance, at the provincial level, the reporting works are responsible of the Department of Planning and Investment (DPI) with a role as a focal body, however the mechanism of cooperation in sharing information with relating Departments under the People's Committees, as well as the Project Management Units (PMUs) in many cases is not specified clearly under the existing regulations.

At the line ministries, the departments responsible for supervision and monitoring of ODA projects are not uniform among the ministries. Responsible department vary: the Planning and Investment Department in case of the Ministry of Transportation and the Ministry of Construction; the International Co-operation Department in the Ministry of Agriculture and Rural Development; the General Corporation (Corporation 91) in the Electricity Corporation of Vietnam, the Navigation Corporation and the Railway Transportation Enterprises Union and so forth.

3.5 The situation also leads to unsystematic, inconsistent and duplicate demands for the report preparers. It was observed that not a small number of PMUs were complaining about the burden to satisfy the requests from multiple controlling agencies to provide them with same data and information. It tends to discourage PMUs to properly respond the monitoring requirements, which results in poor performance of reporting in terms of accuracy and timing in spite of frequent cautions and reminders of MPI.

3.6 There also exist some technical problems in the monitoring implementation in the Monitoring & Evaluation Division of MPI. Among others, the serious problems in practice are: lack of software to automatically convert different currencies used in different projects into a standardized currency; difficulty in adjusting different fiscal years between Vietnam and the donors; lack of appropriate method to eliminate the effects of price and foreign exchange fluctuations in the analyses using indices.

3.7 Effect monitoring and evaluation is still a new concept for Vietnam, and it is among the weakest areas in its ODA project cycle. The priority and attention are being put on project implementation at the moment, and the evaluation has not been regarded as an important or an urgent issue. Project evaluation is carried out only when it is obliged by the financing donors, therefore the coverage is quite limited. Some of the big ODA projects have been completed and started their operation, however, little comprehensive post-evaluation is conducted up until now. Thus, the socio-economical impacts as well as effects of the projects are still unknown to the society.

4. Recommendations

4.1 As a base for sharing information of the projects implementation and consistently coping with the prevailing hindrance , GOV/MPI should set up a framework of regular meetings involving all of the relevant agencies; namely; PMU, People’s Committee where the project is located, executing agency, line ministry and the donor. It is also able to provide donors with efficient occasion to know the actual situation of problematic preparation stages, especially among others, preparation of (Pre) F/S, and site clearance and resettlement. The regular meetings should be supported by special meetings in case of need to individually cope with ad hoc problems.

4.2 While waiting for the comprehensive outcomes of Ausaid/MPI Monitoring and Evaluation Strengthening Project, it would be necessary to immediately start improved mechanism of the projects monitoring containing progress information for the preparation stage.

- In order to cope with this urgent need, a model monitoring sheets were designed with their implementation rules as follows. The monitoring sheets were designed taking the following elements into account as a basic principle to ensure efficient and effective operation..
- It should be as simple as possible to facilitate MPI and PMUs to apply practically.
- It should focus on reflection of implementation parameters, keeping track of action to action;
- It should cover most needed information so that all relevant parties could utilize and share such information for their owned analysis.
- It should minimize the workloads and burden of PMUs because it can be used by any needed information agency.

Based on the newly issued Decree 17/CP which stipulates establishment of Project Preparation Unit (“PPU”)⁶ will be issued shortly, the JBIC’s Mission suggests the modification of the reporting sheet stipulated in Circular 15 as follows:

⁶ According to the new Decree 17/CP, within 15 days from the date of receipt of an official notification by the approving authority of the donor’s agreement to consider funding project/program, the head of Agency in need of ODA shall make decision to establish Project Preparation Unit (PPU). Among other functions and tasks, PPU will act as a focal point in coordinating with relevant domestic agencies and donor during project preparation process, conducting studies, preparing the project documents and participating in negotiation of ODA Loan Agreement.

Project Monitoring Report (1/4)

Project Information:

Project name:

Location: identifying the provinces/cities where project is located

Executing Agency:

Project Management Unit:

Donor's Name:

PPU/PMU's Director: Mr./Mrs.:

Tel:

Fax:

E-mail:

Objectives: describing the objectives and targets of Project

Scope: (1) Construction/development of.....systems.....

(2) Supply of equipment; (3) Consulting services (4)....other components

Performance Indicators (data as of)

(1)

(2)

(3)

.....

Loan Information:

Loan No.:

Signing Date:

Expiry Date:

Loan amount: USD

What step Project is after L/A⁷:

(1) Pre-Feasibility Study: Who are preparing? To what extent?

(2) Feasibility Study: Who are preparing? To what extent?

⁷ All necessary steps to be taken from Vietnamese side after signing the Loan Agreement should be described, such as: Pre-FS, FS, Detailed Design, bidding plan, bidding results approvals.

- (3) Appraisal: whom and when the F/S is sent? The status of Appraisal process?
- (4) When the Project is awarded with Investment Decision?
- (5) Progress rate of compensation and site-clearance as compared to the projected target?

Problems/Measures to be taken:

- (1)
- (2)
- (3).....

Actions Agreed Upon:

- (1) Prime Minister:
- (2) MPI:
- (3) Line Ministry:
- (4) Executing Agency:
- (5) PMU:
- (6) Donor:

Date:

Head of Project Preparation Unit/Project Management Unit:

Project Monitoring Report (2/4)

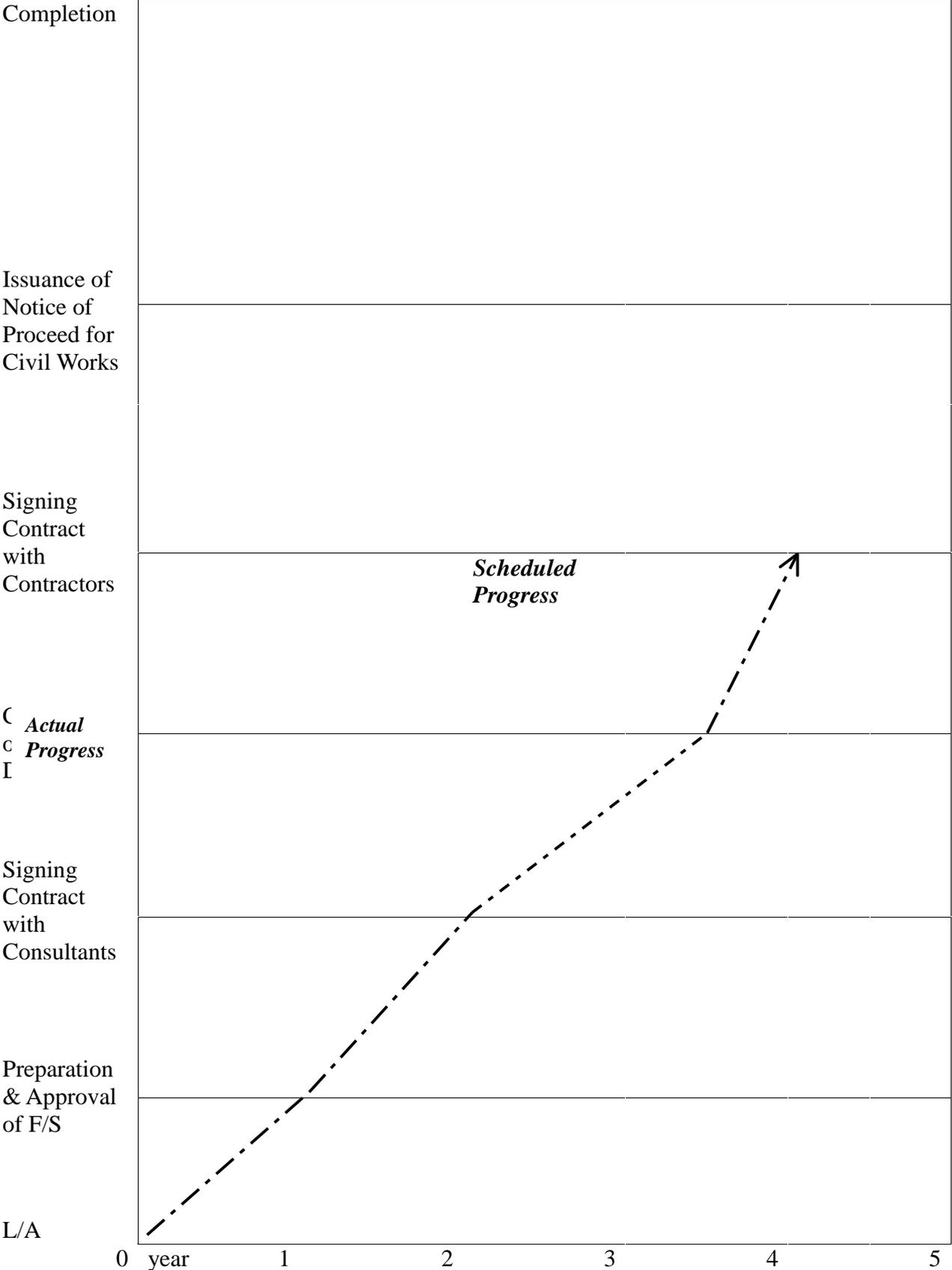
Information on Procurement and Disbursement:														
Project name:														
Loan No.:				Signing date				Expiry date:						
Loan amount:				USD										
Contract Package	Consulting Service		Civil (Package 1)		Civil (Package 2)		Civil (Package 3)		Equipment		Land Acquisition		Total	
	(S)	(A)	(S)	(A)	(S)	(A)	(S)	(A)	(S)	(A)	(S)	(A)		
Scheduled (S) & Actually Performed (A) Dates														
Submission of I/L, S/L, TOR														
Submission of Evaluation Result														
Submission of Contract														
Notice to Proceed														
Submission of P/Q Documents														
Submission of P/Q Results														
Submission of Bid Documents														
Submission of Bid Evaluation Results														
Submission of Contract														
Notice to proceed														
Contract Period														
Contract No.			Ratio of Actual Implemented Works Volume/Total Works Volume		Ratio of Actual Implemented Works Volume/Total Works Volume		Ratio of Actual Implemented Works Volume/Total Works Volume		Ratio of Actual Implemented Works Volume/Total Works Volume		Ratio of Actual Implemented Works Volume/Total Works Volume		Ratio of Actual Implemented Works Volume/Total Works Volume	
Contract Amount														
Name of Contractor														

Cumulative Amount of Disbursement as of							
Targeted Amount of Disbursement for Fiscal Year 2001 (a) January 2001 (Actual) February 2001 (Actual) March 2001 (Actual) April 2001 (Estimated) May 2001 (Estimated) June 2001 (Estimated) July 2001 (Estimated) August 2001 (Estimated) September 2001 (Estimated) October 2001 (Estimated) November 2001 (Estimated) December 2001 (Estimated) Total Estimated Amount in Fiscal Year 2001 (b) Financial Ratio of (a) over (b) Estimated Amount of Disbursement in FY2001 Estimated Amount of Disbursement in FY2002 Estimated Amount of Disbursement after FY2001							

Project Monitoring Report (3/4)

Information on Performance:								
Project name:								
Loan No.:			Signing date			Expiry date:		
Loan amount:			USD					
Target Beneficiary of the Project:								
Performance Indicators	2001	2002	2003	2004	2005	2006	2007	2008
(1) Indicator 1								
(2) Indicator 2								
(3) Indicator 3								
(4) Indicator 4								

Project Monitoring Report (4/4) (Example)



Note:

1. Monitoring Sheet 1:

1. For the purpose of keeping close track of the whole preparation process, PPU should be the agency in charge of preparing this Sheet 1.
2. As Sheet 1 only contains simple information and will not require a big workload, it should be prepared monthly and sent to: Executing Agency, Line Ministry, MPI, Prime Minister (Group A) and Donor.
3. Once Project is fully implemented, it can be merged with Sheet 2 to be prepared by PMU on a quarterly basis.

2. Monitoring Sheet 2:

1. Prepared by PMU on a quarterly basis;
2. To be sent to: Executing Agency, Line Ministry, MPI, MOF, Prime Minister (Group A) and Donor.

3. Monitoring Sheet 3:

1. Prepared by PMU;
2. Upon completion of the Project and start of the operation, Sheet 3 should be prepared by Executing Agency in cooperation with Donor.

4. Monitoring Sheet 4:

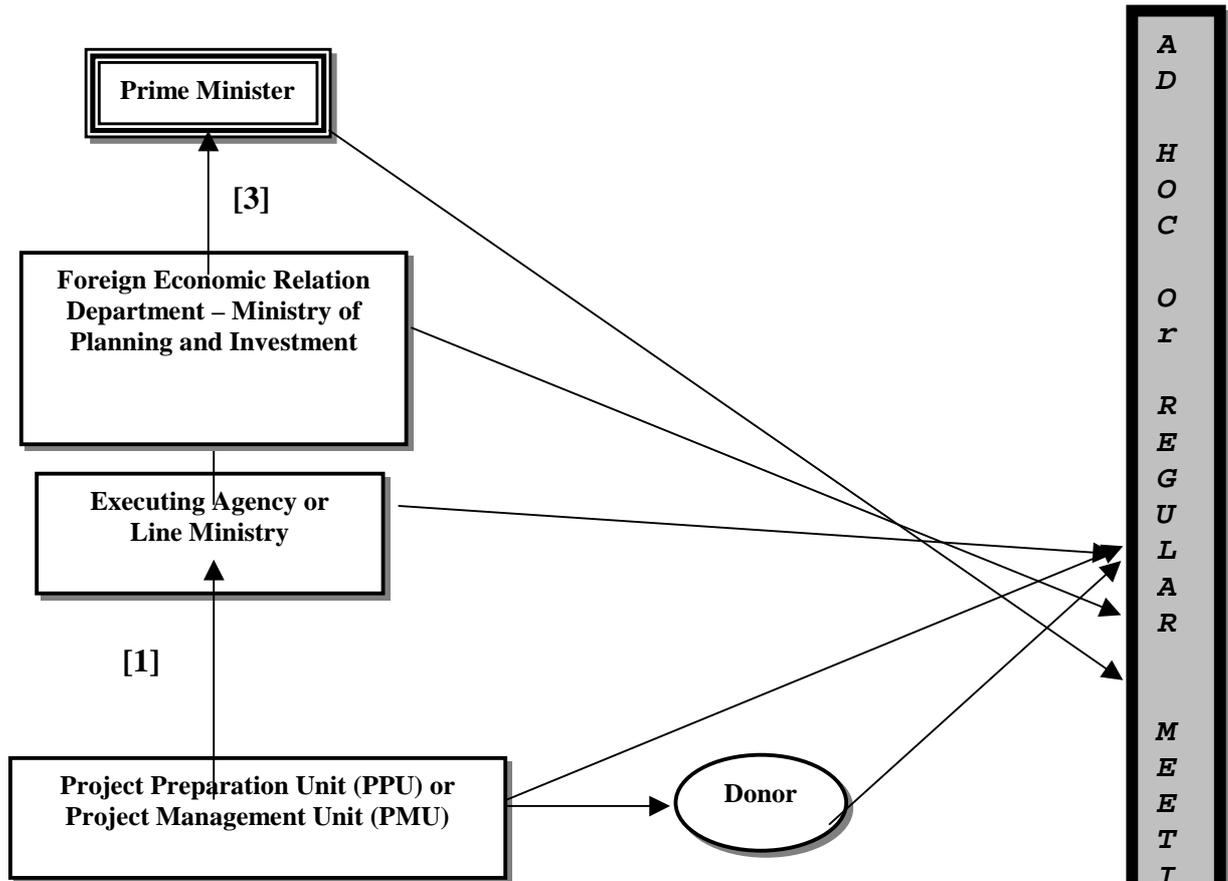
1. Prepared by PMU
2. To be sent to: Executing Agency, Line Ministry, MPI, MOF, Prime Minister (Group A) and Donor.
3. Particulars to be put on the vertical axis are properly chosen depending on the project's nature.

Language to be used:

For the purpose of sharing the information among Vietnamese relevant parties and donors, all monitoring sheets should be prepared in both Vietnamese and English.

INFORMATION FLOW CHART

(Illustration of the Information Flow regarding Sheet 1)



[1] – Monthly Report

[2] – Monthly Report

[3] – Monthly Report for 30 large investment Projects
Other ODA projects categorized as Group A: Quarterly Report

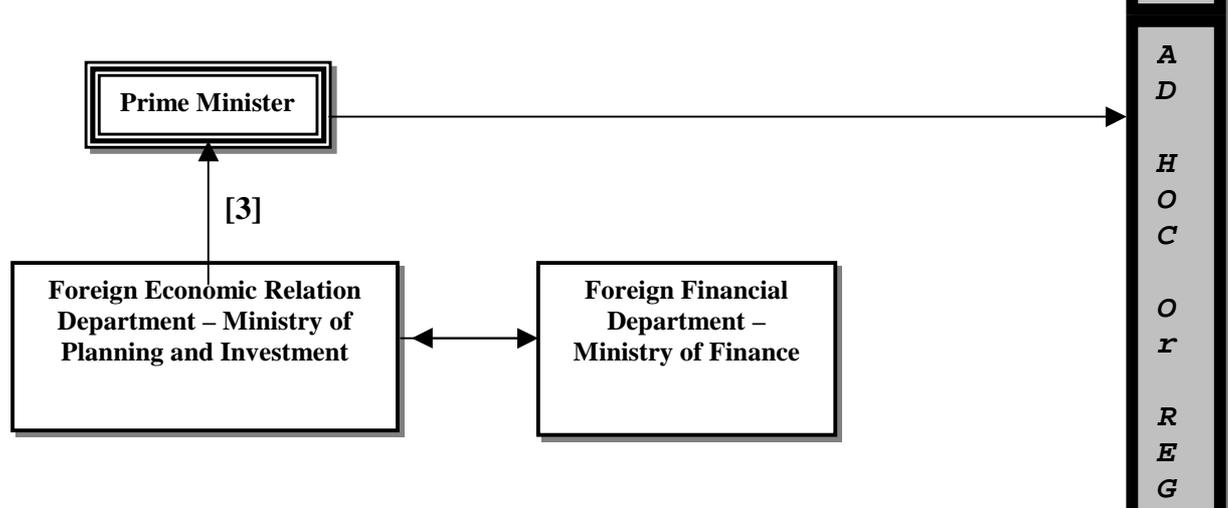
[4] – Monthly Report

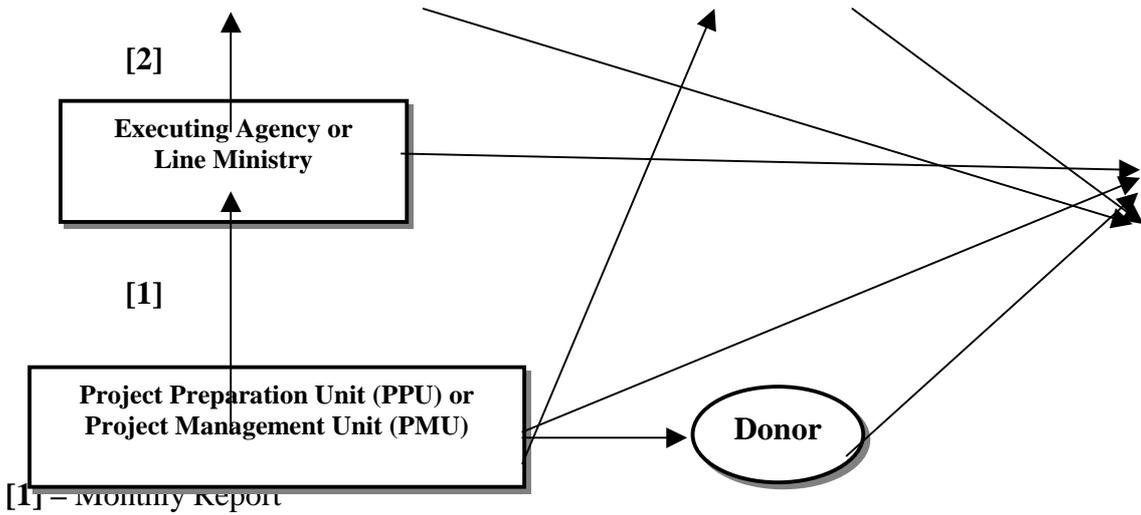
Ad-hoc meetings: when necessary at the request of donor or executing agency

Regular meetings: quarterly

INFORMATION FLOW CHART

(Illustration of the Information Flow regarding Sheet 2)





[1] - Monthly Report

[2] - Monthly Report

[3] - Monthly Report for 30 large investment Projects
other ODA projects categorized as Group A: Quarterly Report

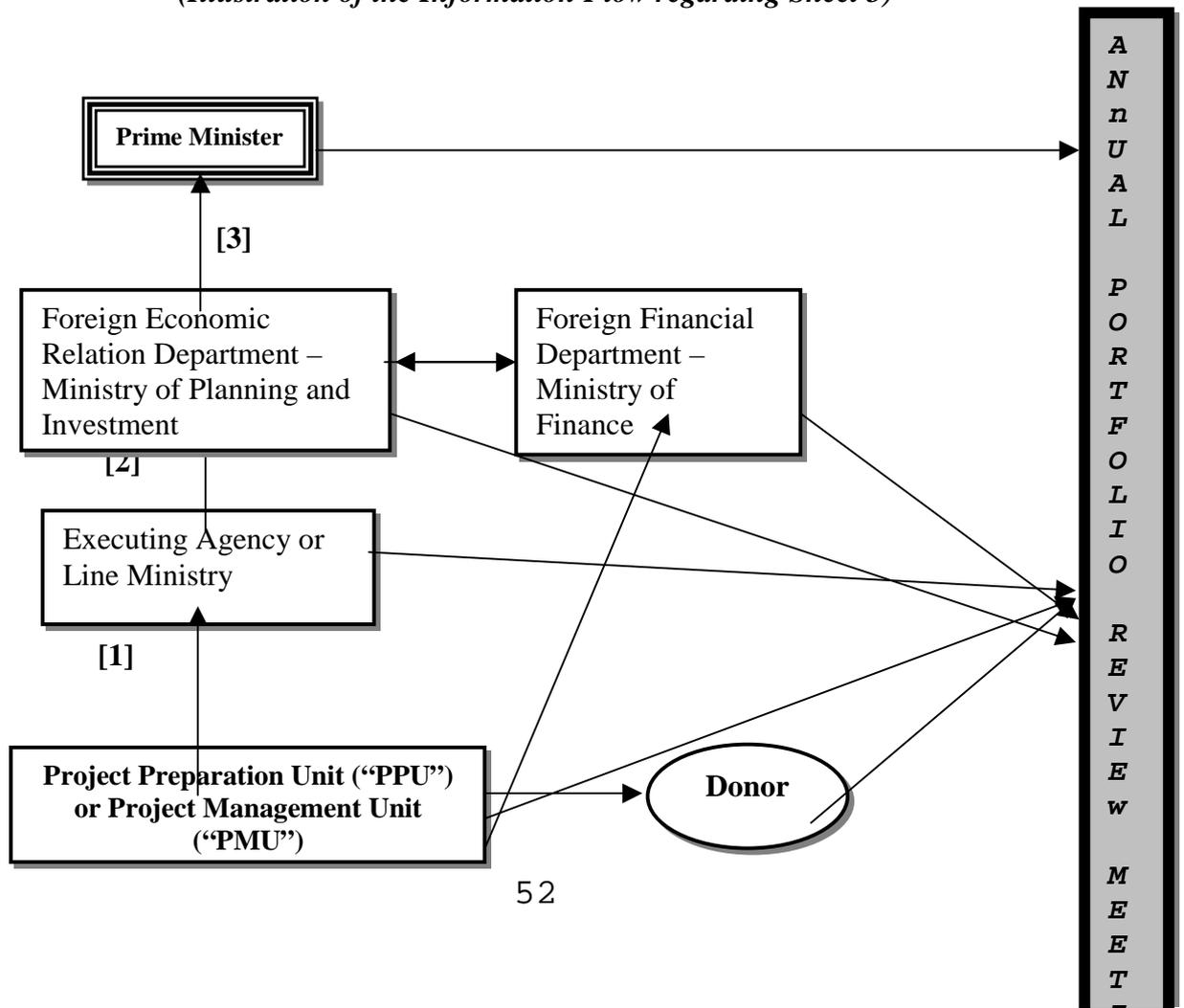
[4] - Monthly Report

[5]- Monthly Report

Ad-hoc meetings: when necessary at the request of donor or executing agency

Regular meetings: quarterly

INFORMATION FLOW CHART (Illustration of the Information Flow regarding Sheet 3)



[1] [2] [3] [4] [5]: Annual Report

- Sheet 3 will serve as basic information for Annual Portfolio Review Meeting.
- Upon completion of the Project and start of the operation, Sheet 3 should be prepared by Executing Agency in cooperation with Donor.

CHAPTER V RECOMMENDATIONS FOR SMOOTHEN IMPLEMENTATION OF JBIC – FUNDED PROJECTS IN VIETNAM

Based on the comprehensive analyses of the total project cycle, the following actions are recommended to be taken:

1. Systematically review all the existing regulations relating to implementation and management of ODA projects, and rectify the inconsistency and duplication contained among them aiming at enactment of a single regulation to be exclusively and comprehensively applied to any ODA Project through their preparation and implementation to get rid of the prevailing practical confusion and enable smoother execution of the whole process.

The current rules relating to ODA projects are separately prepared to regulate different aspects of the ODA project cycle in Vietnam; for instance, the (i) Decree 17/CP governing ODA projects in general, (ii) Decree 52/CP on Investment and Construction, (iii) Decree 88/CP on Tendering, and (iv) Decree 22/CP on Resettlement (cf. The next-page table illustrates respective regulations relative to the different aspects of the ODA process and how complex they are.). Additionally, there are number of subordinate governmental circulars and other forms of supplemental regulations to be involved. Moreover, each regulation except Decree No. 17/CP is commonly applied also to non-ODA domestic projects. Under such circumstances, there seems to exist inconsistency as well as overlaps in different fields of the Vietnamese legislation.

These legislative conditions currently prevailing entail practical difficulty and confusion in such a way that the ODA regulations are to be found in many different places in the legislative system and therefore one encounters difficulty to access and grasp them properly and smoothly. Without perfect knowledge to precisely find suitable regulations to be applied to a particular situation in question, one can hardly carry out the process in a legally appropriate manner.

Therefore, it is recommended that:

- an immediate action should be taken after revising Decree 87/CP to systematically review all the existed regulations relating to ODA implementation and management in order to identify those overlaps, inconsistencies, overlaps and discrepancies contained, and arrange them to specify which regulation shall take precedence over the others, and
- establishment of a single legislation, preferably with a status of an Ordinance, solely applied to the ODA implementation and management, should be aimed at extracting effective stipulations being currently applied.

TABLE OF IDENTIFICATION STEPS OF ODA PROJECTS TO BE GOVERNED BY GOV'S APPLICABLE REGULATIONS

STEPS/ITEMS OF ODA PROJECT CYCLE	newDecree 17/CP	Decree 88/CP, Decree 14/CP and	Decree 52/CP and Decree 12/CP	Decree 22/CP	Decision 96/MOF	Ordinance on the Conclusion and Implementation of International Treaty
Identification	♥(1)					
Preparation	♥		♥(2)			
Appraisal and Approval	♥		♥(3)			
Negotiation, Conclusion and Ratification of L/A	♥					♥
Procurements: Employment of Consultants, Procurement of Goods and Civil Works		♥(4)	♥			
Implementation: Land acquisition, Site clearance, Resettlement	♥		♥(5)	♥(6)		
Implementation: Design, Technical Design, Total Cost Estimation, Construction Permit			♥(7)			
Disbursement					♥(8)	
Monitoring and Evaluation	♥(9)		♥			
Completion of construction, putting project into operation or use	♥		♥			

Note:

- (1) Also subject to: long-term and 5 years social-economic development strategies, public investment programs, sectoral and regional master plans;
- (2) Also subject to: (i) Circular 70/2000/BXD on cost accounting of investment capital; (ii) Circular 09/2000/BXD on preparation and management of construction costs of investment project; (iii) Circular 02/2000/BXD on estimates of capital construction works; (iv) Circular 01/2000/BXD on the management of construction and investment projects and registration of construction operations; (v) Circular 07/1999/MOC on technical standards and specifications
- (3) Also subject to: (i) Decree 42/CP (16/7/96); (ii) Circular 09/MPI (21/9/96) even though these two documents have been replaced, some of provisions are still be referred to;
- (4) Also subject to Circular 416/MPI-MOF and MOC and its amendment Circular 08/2000/MPI;
- (5) Also subject to (i) Circular 06/1999/MOC on implementation of Decree 52;
- (6) Also subject to (i) Circular 1417/1999/TCDC and its amendment Circular 1248/2000/TCDC; (ii) circular 145/1998/MOF;
- (7) Also subject to (i) Circular 07/1999/MOC; (ii) Decision 17/2000/MOC; Decision 01/2000/MOF; (iii) Decision 704/1998/MOC
- (8) Also subject to (i) Circular 135/1999/MOF; (ii) Circular 40/1998/MOF.
- (9) Also subject to Circular 17/MPI

2. The Process of Project Preparation, or Upstream Stages of the Project Cycle, should be streamlined harmonizing the both procedural flows between the GOV and Aid Agencies.

Any ODA project has to concurrently follow two separate operational flows: both GOV's and the Donors' official procedures respectively. The JBIC Mission has found that the most significant operational problem in the Vietnamese ODA project cycle lies in this very stage, and it is caused by the practice being carried out in an inharmonious way between the two operational lines. The most typical example is that progress of loan project implementation tends to be significantly hindered after the loan agreement has been concluded due to the re-preparation of (Pre) F/S by the Vietnamese side for the sake of clearing the Prime Minister's final approval.

What is most needed is a harmonized way of carrying out the preparation process with close communication, information exchange and coordination between the parties involved along the whole operational flows in the preparation stage. A normative operational flow involving all the parties involved in a typical case of the Japan's ODA is shown in the following Chart with narrative elucidation for each step. Recommendations to facilitate smoother process are summarized as follows:

- Sufficient allocation of preparation funds for local inputs for pre-investment.
- Early establishment of Project Preparation Unit as a responsible body to carry out necessary works in the Upstream Stage.
- Preparation of Feasibility Studies in close collaboration between GOV and the Donors (see: the Chart, "Ideal Upstream Operational Flows of Japan's ODA Loan Preparation").
- Proper decentralization and delegation of authorities from the central and higher levels to the local and lower levels, such as Executing Agencies and PMUs.
- GOV needs to initiate better measures to promote and enforce fundamental understanding of the staff of PMUs as well as all the other related government organizations on the government-donors agreements and the donor's guidelines.
- Final detailed designs of a project and bidding documents should be available as early as possible.
- The Government's approval of the ODA funded project should be obtained before the effectiveness of the loan agreement. Streamlining is indispensable for the Government's internal approval process to eliminate unnecessary time lags among the donor's appraisal, the loan agreement and the GOV's internal approval of the feasibility studies.

3. Harmonized Upstream Operational Flows of Japan's ODA Preparation:

As highlighted in the previous section, one of the most significant problems is the inharmonious operational process among the parties involved in the project preparation stage, and resultant delays of the project implementation after the loan agreement. As a base for solving this problem, the JBIC Mission is of the opinion that a harmonized as well as a consistent procedural flow of the project preparation should be established being supported by a General Framework agreement,

which includes clear procedural steps taken by the respective parties, concluded between the both governments.⁸

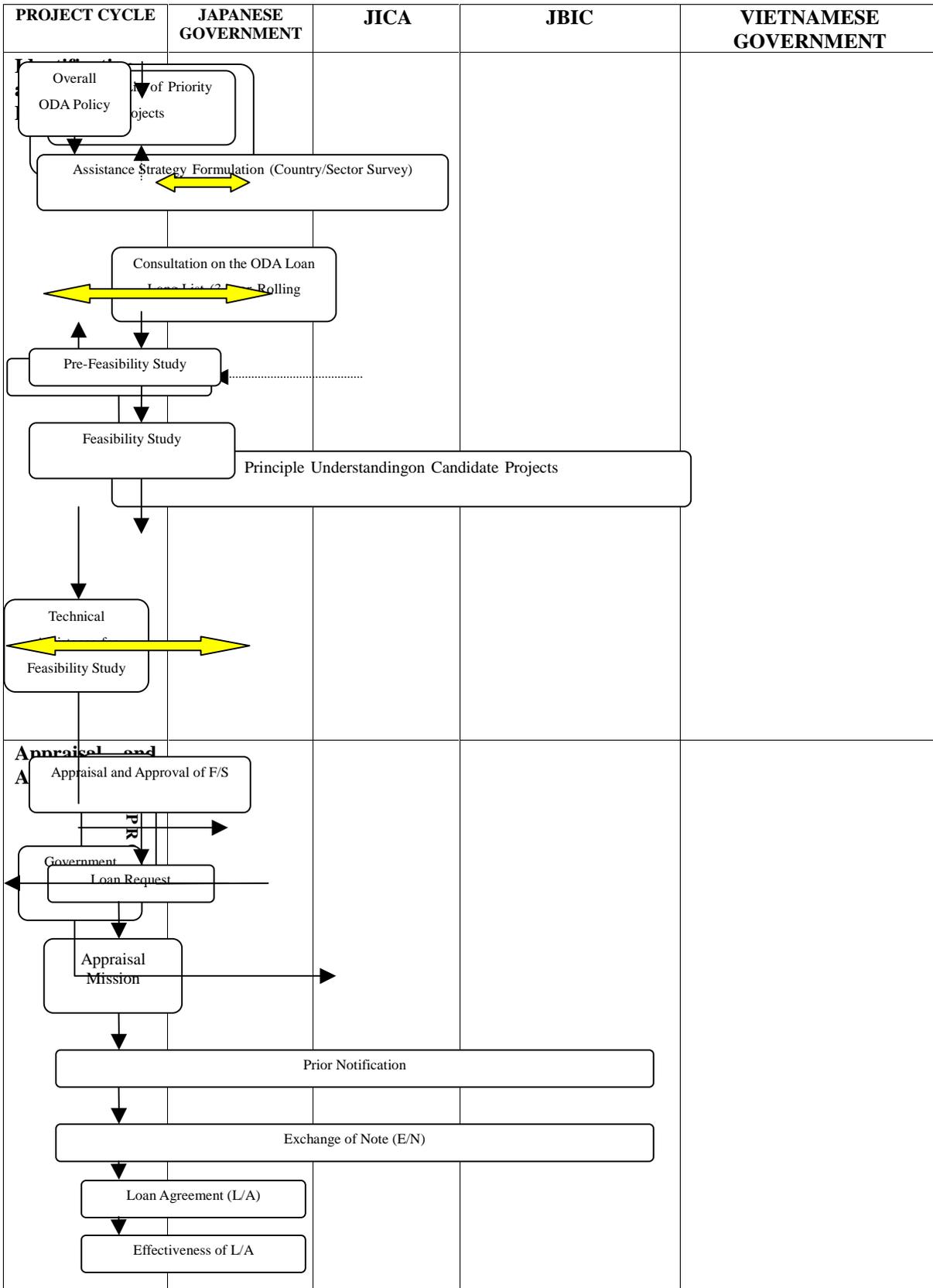
The Chart below illustrates the mission team's proposal on one ideal procedural flows for Japan's ODA projects to realize harmonized and consistent steps to be taken emphasizing strengthened communication, information exchange and coordination between the parties involved.⁹

Items of information contained in the Vietnamese official documents in the project preparation stage required by the new Decree No.17 are listed in the ANNEX 3 along its relevant phases with respective preparers, receivers and timing of the submission. Those items ought to be available for each procedural step of the Japan's side if the Decree No. 17 is effectively implemented.

⁸ Cf. **Annex 2** "Official Letter No. 4694/BKH on Harmonization of GOV's and French Procedures", the Principle Agreement between MPI and the French counterpart DREE which stipulates procedures of registration and selection of French ODA projects.

⁹ The Chart illustrates a typical case of Japan's ODA Flow where the Feasibility Study is conducted by JICA.

IDEAL UPSTREAM OPERATIONAL FLOWS OF JAPAN'S ODA LOAN PREPARATION



- (1): GOJ sets the overall Japanese ODA policies toward Vietnam.
- (2): GOJ in cooperation with JICA and JBIC prepares Country/Sector Strategy.

- (3): GOV relevant agencies prepare for submission to the Prime Minister's Office on National List of Priority Projects for ODA which will be the base for discussion about the Long List with GOJ.
- (4): GOV and GOJ with JBIC make consultation to form the 3 year rolling Long List for ODA Loan though JBIC.
- (5): Along with the formulation of the Long List, JBIC dispatch Fact-Finding Missions to examine the feasibility of the listed projects.
- (6): GOJ in cooperation with JICA, JBIC and GOV reach principle understanding on candidate projects for future project formulation.
- (7): Technical Assistance (Development Study) mobilized by JICA to conduct Feasibility Study in cooperation with Project Preparation Unit under the Vietnam's Executing Agency.
- (8): JBIC may additionally provide Special Assistance for Project Formation (SAPROF) to supplement the F/S in collaboration with the Project Preparation Unit. This, however, may be unnecessary if there's sufficient harmonization among stakeholders.
- (9): F/S is submitted to the Prime Minister's Office for approval by the GOV.
- (10): Upon approval of the F/S, GOV sends the official loan request to GOJ.
- (11): GOJ dispatches the Government Mission to discuss the requested projects.
- (12): JBIC sends appraisal mission for requested projects to examine the feasibility of the project.
- (13): GOJ pledges its commitment to JBIC loans to Vietnam.
- (14): GOJ and MPI on behalf of GOV signs Exchange Notes (E/N) for overall framework of the JBIC loan.
- (15): JBIC and MOF on behalf of GOV negotiate detailed conditions of the loans to draft a Loan Agreement.
- (16): JBIC and MOF sign all the L/As for the fiscal year concerned.
- (17): Effectuation of Loan Agreement.

It is emphasized again that the most significant phase is the "Identification and Preparation" in the sense that this phase currently constitutes a major bottleneck for the smooth progress of the process afterwards including project implementation. Conversely, if this phase has been properly executed in a harmonized manner with sufficient communication and collaboration, all the following process will be able to run smoothly.

4. For streamlining and smoothening the procedures to reach agreements between the donor and the government as well as to ensure smooth effectuation thereof, following points are highly recommended:

- GOV should consider preparing sufficient fund for the purpose of supporting budgetary need for improved project preparation. Additionally in order to improve the process of project implementation, more budget should be also provided to upgrade the quality of PMU manpower as well as to equip PMU offices with necessary facilities like photocopy machines, computers etc.
- Continuity of the staff in charge from the preparation until the implementation stages should be maintained.
- It is badly needed to prepare a realistic resettlement plan and put it in the project planning process. Strengthening of coordination between PMUs and local governmental authorities in charge of resettlement is also essential.
- The administrative procedures for ratification of international treaties should be also streamlined.

5- The new umbrella regulation suggested in the beginning of this Chapter should incorporate articles to clearly require the following items in its Procurement Section. Those

points are important in ODA procurement but have found to be relatively weak in the prevailing procurement regulations

- Requiring that bidding plans be available and approved as early as possible during the preparation stage.
- Information control on tendering should be stricter, particularly for the stage of tender evaluation.
- Eliminating the application of “merit point system” on bid evaluation and strictly utilization of “two stages bidding” method;
- Decision-making process for the bidding should be streamlined, decentralized. Power and authorization should be properly delegated from the central and higher level to the local and lower levels, such as Executing Agencies and PMUs.
- Making sure that the cost estimate, bidding packages should be in accordance with the GOV-donors’ agreement and detailed design agreed by both GOV and donors.
- Evaluation criteria should be clearly and rigidly determined before the evaluation process commences, and these criteria should be firmly applied.
- The capacity of the bidders should be screened through pre/post qualifications.
- Low bids should be monitored to ensure that they meet contract obligations and technical standards.
- Utilization of Procurement Consultants should be encouraged.

6- Function of PMUs should be strengthened through the following measures.

- The legal status of PMUs should be more clearly in terms of its administrative status, organizational structure, external relationship with other relevant agencies.
- Administrative budget for PMUs should be sufficiently provided and administrative procedures should be streamlined in order for the budget to be available at the earliest possible time.
- Staff training is to be strengthened with materials carefully prepared to ensure its quality and effectiveness. In this regard, it is badly needed to hold PMUs staff orientation training in which the PMU staff has to be provided with the following study materials:

(i) A JBIC’s Loan Procedure Handbook which sets out the general principles and procedures to handle JBIC loans. It can be referred to by staff of Project Preparation Units (PPUs) and Project Management Units (PMUs), any time in carrying out the preparation and implementation of projects financed by JBIC. The purpose of this Handbook is to provide all relevant parties with a clear pictures of necessary works which must be done in each stage of the project cycle and to explain in greater depth the parallel comparison of operational flows of the ODA Project Cycle: JBICs’ and GOV’s official ODA Procedures respectively. During this comparison, the Handbook should point out common contents of respective procedures of JBIC and GOV that should be done jointly and simultaneously, discrepancies between them, and accordingly suggest the possible remedies to harmonize in order to expedite the process and smoothly proceed to the next step. For each stage of project cycle, there should be a detailed description of necessary steps, agencies/bodies in charge and to be involved, required time frame within which each agency/body concerned must issue its approval or opinion. In addition, the Handbook

should provide standard forms; formats of necessary document which must be completed by relevant agencies/bodies;

(ii) A Project Management Handbook which provides the PMUs staff with sound project management concepts and techniques to enable them to apply them during the implementation under complicated project situations. This Handbook is intended to be used by PMUs as well as Executing Agencies of projects financed by JBIC as a guide for efficient management of project implementation. Although this handbook will be prepared primarily to assist designated PMUs' and Executing Agencies' project managers, it will be also useful to the staff of the line ministries who are involved in supervising the project implementation. The Handbook should cover all items relating project management, including: (i) planning the execution of the project; (ii) directing the activities required in project execution; (iii) monitoring the progress of the project as well as controlling and solving problems that may occur; and (iv) gathering lessons from experience that will assist better planning and management of future projects. Items that should be contained in the Handbook will include detailed procedures for project planning; procedures for subsequent project organization and staffing; interfacing of each activity; implementation and control; commitioning; and review and evaluation. It has been stressed that the projects preparation involving the both GOV and the donor, and should be conducted in a harmonized manner along the consitent procedural flows with close communication and collaboration with each other. However, it will hardly be realized unless the Vietnamese ODA procedures along the new regulational framework supported by the backbone regulation under Decree No. 17/CP is precisely implemented. Both Handbooks will definitely facilitate this process.

7-Streamlining of the Resettlement process, especially from the following points of view:

- The resttlement plans should be prepared and approved as early as possible during the preparation of project. It is strongly suggested that resettlement plans should be a integral part of Feasibility Study and be approved along with F/S.
- Decree 22/CP should be supplemented with the specific guidelines on land acquisition, compensation or livelihood restoration procedures.

SUMMARY

1. Prevailing Disharmony underlying ODA Process particularly between GOV and Japanese Donors

1. Less Coordinated Operations along Respective Official Procedural ODA Flows
2. Discrepancy in treating Feasibility Studies. In addition to the difference in emphasis: while the Japanese side makes much of Project Justification to determine economic assistance, GOV's F/S emphasizes its design aspect, the treatment of F/S in a project process is significantly different from technical and political viewpoints. The Japanese side treats F/S as one of the basic steps to consolidate the project foundations normally based on Preliminary Design to be followed by succeeding steps, Basic Design and Detailed Design, to deepen the technical details. On the other hand, GOV intends to attach determinant authorization which the succeeding official and technical steps should obey in terms of project cost and design.

2. Institutional Remedies

1. Establish Coordinated Operations along Consistent Flow of ODA Preparations. (*cf. Flowchart "Ideal Upstream Operational Flows of Japan's ODA Loan Procedure"*)
2. Establish common definitions of "Preliminary", "Basic" and "Detailed" Designs among all the parties involved internationally as well as domestically.
3. Adjustments (or concession) from the both sides.

From Vietnamese Side

- Enrich Project Justification to suite Japan's Requirements to determine Economic Assistance. (Information Items required for the Justification are available in ANNEX 3 "*Upper-Stream Information Contained in GOV Requirements in reference to Japan's ODA*")
- Require Pre-F/S to more concentrate on Project Justification rather than Project Design.
- Establish concrete criteria for F/S evaluation and disclose them to guide all those who are to be involved in any step of project process.
- Limit F/S to deal with up to the Basic Design Level defined above.
- Leave the Detailed Design to either (a) Linkage D/D of JICA, (2) E/S Loan of JBIC or (3) Consulting Services in Project Loans, in Japan's Technical and Economic Assistance.

From Japanese Side

- Reach the depth of design required by GOV in the Feasibility Study based on the GOV's Evaluation Criteria.

3. Practice to Implement Institutional Remedies

1. Realize Collaboration in Upper Stream Jobs (Execution of F/S, SAPROF, D/D, etc.)
(Conditions)

- Employ International Consultants equipped with sufficient Project Management Capacity with relevant International Technical Knowledge and Experience.
- Employ Local Consultants equipped with sufficient Technical Knowledge with full understanding of Domestic Technical Standards and Requirements.
- Assign competent PPU (Project Preparation Unit) Staff equipped with, especially, Project Management and Administrative Capabilities.
- Prepare Physical Conditions, Office Space, Facility & Equipment, etc. to support the jobs to be conducted without hindrance.

- Make Administrative Arrangements to smoothly communicate with controlling agencies (EA, MPI, DPI, MOF, etc.).
 - Prepare legalized “Implementation Guideline” to practically enforce all above necessary conditions to ensure the Collaboration. It should be an integral part of the “T/A Document for Preparation Process” stipulated in new Decree No.17/CP.
 - Prepare regulations to legally support appropriate organization of PPU (PMU) to fulfill the necessary conditions specified above.
2. Effective and Efficient Execution of the Vietnamese New ODA Scheme led by Decree No.17/CP in practice.

4. Useful Technical Assistance to support Solid Implementation of GOV’s ODA Management

- Preparation of the Regulations and Institution Building for PPU (PMU) Organization.
- Preparation of the “Implementation Guideline” to enforce the Collaboration.
- Preparation of the “Comprehensive Procedural Handbook” to practically enforce the GOV’s New ODA Procedures and Management Schemes.

ANNEXES

Annex 1-1: Highlight of Handbook 1 Project Cycle Procedures

Annex 1-2: Highlight of handbook 2 Management of Project Implementation

Annex 2: Official Letter No.4694 on Harmonization of GOV's and French Procedures

Annex 3: Upstream Information Contained in GOV Requirements

Highlight of Handbook 1 Project Cycle Procedures

Objectives:

This Handbook sets out the general principles and procedures, which should be followed by borrowers (mostly Project Preparation Units – PPU or Project Management Units – PMUs) of JBIC, in carrying out the preparation and implementation of projects financed by JBIC.

The purpose of this Handbook is to provide all relevant parties with a clear pictures of necessary works that must be carried out in each stage of project cycle and to explain in greater depth the parallel comparison of operational flows of the ODA Project Cycle: JBICs' and GOV's official ODA Procedures respectively. The Handbook should also point out the works that should be jointly carried out by Vietnamese and Japanese sides.

For each stage of the project cycle, there should be a detail description of necessary steps, agencies/bodies in charge and to be involved, time frame set forth for each agency/body issuing approval or opinion. In addition, if possible, Handbook should provide standard form; format of each necessary document which must be filled out by relevant bodies.

The flow diagram should be also provided to illustrate each stage of project cycle procedures between GOV and Japanese sides.

Scope of Handbook 1:

The principles and procedures outlined in this Handbook can be applied to all project cycle: project identification, project preparation (Pre-FS, FS, Initial Design), appraisal, loan negotiation, project execution (consultant recruitment, detail design, procurement of goods and service, construction, completion, testing) and evaluation.

CONTENTS OF THE HANDBOOK 1

Basically, the Handbook will follow those stages of JBIC Project Cycle described in Green Pamphlet “Operational Guidance on the Preparation of Japan’s ODA Loan Projects” and follow the highlight of the Yellow Book: “OECF Loan Hand Book” prepared by OECF Jakarta Representative Office – January 1999.

I.- JBIC LOAN PROJECT CYCLE- OVERVIEW

II- IDENTIFICATION & PREPARATION OF PROJECT

1. Steps must be done for identification of project from both sides of GOV and GOJ (Decree 17/CP).
2. Agencies involved from both sides of GOV and GOJ.
3. Pre-Feasibility Study: types of projects which need Pre-FS; items which must be included in Pre FS.
4. Feasibility Study: items which must be included in FS, concrete method of collaboration between GOV and Japanese side.
5. Environmental Impact Assessment Report (“EIA”): items which must be included in EIA, items which could be jointly and simultaneously done by GOV and GOJ; for those different items of EIA, how to prepare, when;

6. Preparation of Loan Request for (i) Project Loans and (ii) Non-Project Loans

III- APPRAISAL: Points to be appraised respectively by GOV and JBIC. For the common points, close information exchange is most important to avoid duplicate works and inefficiency. For items which are not common, clear steps to be taken for their preparation should be shown.

IV- EXCHANGE OF NOTES: Exchange of Notes (E/N); Exchange of Note and Loan Agreement

V- LOAN NEGOTIATION: LOAN AGREEMENT (L/A); EFFECTIVENESS OF L/A

VI- PROCUREMENT

- 1- Employment of Consultants
- 2- Procurement of Goods and Services
- 3- Others

Comparison of JBIC's Procurement Procedures and GOV's Decree 88.

VII- DISBURSEMENT

Comparison of JBIC's Disbursement Procedures and MOF's Decision 96, Circular 135/1999 and Circular 40/1998.

- 1- Disbursement Procedure Principles
- 2- Disbursement Procedures
- 3- Application of Disbursement Procedures
- 4- Banking Arrangement
- 5- Commitment Procedure
- 6- Transfer Procedure
- 7- Reimbursement Procedure
- 8- Special Account Procedure

VIII- PROJECT MONITORING AND SUPERVISION

- 1- Project Monitoring and Supervision Method
- 2- Progress Report
- 3- Project Completion Report

IX- POST EVALUATION

- 1- Background and Purposes
- 2- Introduction of New Indicator Systems developed by JBIC
- 3- Method of Evaluation
- 4- Supervision after Project Completion.
- 5- Others

Highlight of handbook 2

MANAGEMENT OF PROJECT IMPLEMENTATION**Objectives:**

Successful project implementation requires that it should be carried out in accordance with the plans, schedules, and other parameters set out during project preparation and appraisal. And those are mostly prepared by PMU staff who possesses technical and management know-how relevant to the demands of the job. In Vietnam, however, the lack of properly trained and experienced managers often emerges as an obstacle; because of this, the need for assistance in the area of project management has become an essential element of any program of development assistance.

This Handbook is to help address these problems and provide the PMU staff with sound management concepts and techniques so that enable them to apply them in complicated project situations.

Scope:

This Handbook is intended to be used by PMUs and/or Executing Agency of projects financed by JBIC as a guide to the management of project implementation. However, while designed primarily to assist PMUs and/or Executing Agency's designated project manager, this Handbook might also be useful to line ministries staff involved in supervising the implementation of JBIC financed projects.

The Handbook should cover all items of project management implementation, which are: (i) planning the execution of the project; (ii) directing the activities required in executing the project; (iii) monitoring the progress of the project and controlling or solving problems that do occur; and (iv) gathering lessons from experience that will assist better planning and management of future projects.

The Hand book should contain detailed procedures for project planning; as well as procedures for subsequent project organization and staffing, interfacing of activities, implementation and control, commitioning, and review and evaluation.

HIGHLIGHT OF HANDBOOK 2**I- INTRODUCTION****II-PURPOSES AND SCOPE OF PROJECT IMPLEMENTATION MANAGEMENT**

1. Purposes of Project Implementation Management
2. Scope of Project Implementation Management:
 - *Project Management:*
 - *Financial Management:*
 - *Procurement and Contract Administration:*

III- PLANNING FOR IMPLEMENTATION

1. The Project and the Project Environment:
2. Problems are most likely arising during Project Execution
3. Finalizing the Project Work Plan: (1) Logistics Schedule; (2) Procurement Schedule; (3) Manpower Schedule; (4) Financial Schedule; (5) Construction Schedule and (6) Evaluation Plan.

This chapter also provides the technique to prepare the Table of Activities and Events; Bar Graph and Network.

IV-PLANNING FOR FINANCIAL MANAGEMENT AND ACCOUNTING

1. Project Budgeting
2. Cost Accounting
3. Fund Disbursement Procedures

V-PREPARATION OF PROJECT CONTROL PLANS

1. Budget, Cost and Schedule Controls
2. Technical Performance Control
3. Project Reporting Requirements and Procedures
4. Control of Changes
5. Project Data Management
6. Management of Consultants, Suppliers and Construction/Installation Contractors

VI-PREPARATION OF A PROJECT PROCEDURAL MANUAL

The manual should cover the most important activities relating to project implementation, particularly those involving the action of large number of staff, and should describe how such activities will be carried out.

VII-THE PROJECT MANAGER

Functions and Responsibilities of a Project Manager. Suggesting general qualifications of Project Manager.

VIII-MANAGING PROJECT IMPLEMENTATION

1. Preparing for Project Implementation: (1) organizing the Project Management Unit; (2) Recruiting and Training Personnel; (3) Defining and Assigning PMU staff responsibilities (job description); (4) Establishing a Project Records System and (5) Obtaining Counterpart Fund required for the Initial Works.
2. Making JBIC Loan Effective
3. Engaging and Supervising the Work of Consultants: (1) JBIC Procedures for Selecting Consultants including the Flow Diagram for Selection of Consultants; (2) Supervising Consultants
4. Procuring Goods and Contracting for Civil Works: JBIC Procedures for Procuring Goods and Civil Works including the its Flow Diagrams
5. Supervising Construction of Works or Installation of Equipment
6. Controlling Costs
7. Withdrawing Loan Funds
8. Controlling Project Changes
9. Coordinating with Other Implementation and Support Agencies
10. Project Monitoring and Control
11. Procedures for Monitoring and Control of Projects
12. Preparing Project Progress Reports

IX- PROJECT INTERACTION BETWEEN JBIC AND PMU/EXECUTING AGENCY

1. Need for Close and Frequent Consultation
2. Visits of JBIC's missions
3. Orientation for PMU/Executing Agency's Staff

X-PROJECT COMMISSIONING

1. Transferring Responsibility for Project Operations
2. Providing Advice and Training to Operations Staff

XI-PROJECT REVIEW AND EVALUATION

1. Project Benefit Monitoring and Evaluation: Introduction of JBIC's indicator system
2. Project Completion Report

**Official Letter No.4694/BKH dated 31 July 2000 on Harmonization of GOV's
and French's Procedures**

MINISTRY OF PLANING AND INVESTMENT
SOCIALIST REPUBLIC OF VIETNAM

No: 4694/BKH/KTDN

Independence-Freedom – Happiness.

=====

Re: Procedure on registration and selection
July, 2000
Of French ODA through financial support
Agreements.

=====

Hanoi, 31

TO:- Ministries, ministerial agencies, Governmental agencies
- Provincial People's Committees

Recently, the mobilization and utilization of French ODA has contributed meaningfully into the economic- social development of country. However, the utilization of this source of fund also has had some problems affecting the effectiveness of projects. In many cases, projects have to be extended its term, some projects cannot be implemented after 3-4 years of L/A, and some projects have to be cancelled after L/A etc.

To tackle with this situation, after reviewing the current procedure of French ODA projects within the framework of financial support agreements between two countries, MPI and French Finance, Economic and Industrial Ministry have agreed upon a new procedure on preparation of French ODA projects (see attached procedure sheet). This new procedure is complied with current Vietnamese regulations on investment and construction management as well as ODA. MPI would like to serve a notice to your agency this new procedure to be applied form July 2000, as follows:

1- Approval of project list which use French ODA:

1.1 – Ministries and Provincial People Committees which have projects required French ODA must send letter or request and approved Pre-Feasibility Study to MPI, Government Office, MOF, Ministry of Foreign Affairs and other relevant authorities.

1.2- Based on the comments of relevant authorities, MPI will compile it and report to Prime Minister to approve the list of projects using French ODA. Upon Prime Minister's approval, this list shall be sent by MPI to French side for its approval.

2- Principle agreement:

2.1- MPI and French counterpart party shall exchange the letter or sign the minute of principle agreement on those projects shall be financed under the official financial support agreements.

2.2- MPI shall serve a notice to all line ministries and project owners who will receive French ODA funds informing some basic information of ODA loans such as total value of loan, financial conditions etc. so that the project owners could prepare the Feasibility Study.

3- Approval of FS, signing the Loan Agreement:

3.1 – Project Owners submit the FS reports to the relevant authorities in accordance with the current regulations on investment and construction management.

3.2- upon the approval of FS, MPI and other relevant authorities shall negotiate with French side on Loan Agreement and submit the Prime Minister the results of negotiation.

3.3- Upon the approval of negotiation by Prime Minister, representatives of two Governments shall sign the Loan Agreement.

3.4- Ministry of Finance signs the credit contract applicable to ODA project.

4- Implementation of ODA project:

Based on the Loan Agreement, instruction of MPI on implementation of Loan Agreement, credit contract and its instruction of MOF, the project owners shall carry out the technical design; organize the bidding and procurement within approved FS in accordance with the current regulations.

Currently, according to the new procedure of French Finance, Economic and Industrial Ministry, two sides shall jointly review each project, and the loan agreement shall be signed for such each project or for those projects having approved FS. MPI shall submit the Prime Minister the list of projects using French ODA at the end of April and August of each year, therefore, Ministries and Provincial People Committees which have projects required French ODA must send letter or request to MPI, and other relevant authorities at least two or three months before that time so that MPI can prepare necessary steps.

MPI would like to inform your agency the foregoing for coordination.

For Minister of MPI
Vice Minister

Vo Hong Phuc