



DRAFT Project Administration Manual

Project Number: 45098-001
Loan Number: TBD
November 2012

Socialist Republic of Viet Nam: Project Preparation
and Startup Support Facility

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Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Ministry of Planning and Investment (MPI) and the Implementing Agencies (IAs) are wholly responsible for the implementation of the ADB financed subprojects under this facility, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB's policies, guidelines and procedures. ADB staff is responsible to support implementation, including compliance by the MPI and IAs of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Loan Negotiations, the borrower and ADB shall agree to the PAM and ensure consistency with the Project Preparation and Startup Support Facility (PPSSF) Loan Agreement. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the PAM and the PPSSF Loan Agreement, the provisions of the PPSSF Loan Agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP) changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval, they will be subsequently incorporated in the PAM.

Abbreviations

ADB	=	Asian Development Bank
ADF	=	Asian Development Fund
CB&PMS	=	capacity building and project management support
COBP	=	country operations business plan
CQS	=	consultant qualification selection
EA	=	executing agency
FERD	=	Foreign Economic Relations Department
FM	=	financial management
FSR	=	feasibility study report
IA	=	implementing agency
LA	=	line agency
MOF	=	Ministry of Finance
MPI	=	Ministry of Planning and Investment
ODA	=	official development assistance
PAI	=	project administration instructions
PAM	=	project administration manual
PCU	=	project coordination unit
PDO	=	project detailed outline
PI	=	project investor
PIU	=	project implementation unit
PO	=	project owner
PPC	=	Provincial People's Committee
PPSSF	=	project preparation and startup support facility
PPTA	=	project preparation technical assistance
PPTAF	=	project preparation technical assistance facility
RRP	=	report and recommendation of the President to the Board
SBV	=	State Bank of Vietnam
SEDP	=	socio-economic development plan
SOE	=	statement of expenditure
WA	=	withdrawal application
TOR	=	terms of reference

I. FACILITY DESCRIPTION

A. Rationale

1. Viet Nam's rapid economic growth has been impressive during the past decades. Although growth is not directly attributed to ODA, it has nevertheless played an important role in catalysing investments. This is reflected in the Government's Socioeconomic Development Plan (SEDP) 2011-2015, which highlights development targets in key economic sectors and the importance of ODA along with projected increases in the number, size and complexity of investments. In monetary terms, from 2006-2010, signed ODA for Viet Nam was \$20.26 billion,¹ whereas estimated ODA for 2011-2015 is \$ 32.0 billion.

2. Increased investments have not been complemented by aid effectiveness. Currently, the stock of undisbursed ODA is over \$6 billion and is expected to increase to over \$10.0 billion by the end of 2015. As aid is channeled through ODA-funded programs and projects, its effectiveness is measured in terms of how well programs and projects are implemented, required time for completion, and impacts on beneficiaries. Viet Nam's track record has been mixed. Project evaluation reports of donors show that in general, projects have been completed satisfactorily, yet the same reports indicate poor project performance during implementation which, among others, is caused by delayed project preparation and startup. Based on Viet Nam Country Portfolio Review by ADB,² it takes around 12 to 18 months on average from fact-finding to loan effectiveness; an additional 2 years for project startup and first contract award, and approximately 2 years of loan extensions. These, in turn, cause unnecessary implementation difficulties, increased transactional costs, and delayed development benefits, which subsequently reduce aid effectiveness and investment efficiency. Comparison across development partners show that the portfolio performance indicators of Viet Nam fare poorer than those of other countries in Asia.

3. The Government, together with the development partners, has realized the importance of addressing implementation bottlenecks, including actions to improve effective utilization of ODA-funded projects. For example, the ODA Inter-Ministerial Task Force, established in 2004, conducts annual reviews of ODA utilization in coordination with the development partners (including ADB) and produces action plans for improvement of ODA. Decree 131/2006/ND-CP on delegated management of ODA funded projects is, currently, undergoing revision to better utilize ODA resources and define the responsibilities of stakeholders involved in ODA in Viet Nam. The Aid Effectiveness Forum (AEF), comprising key Government agencies and development partners, are engaged in various thematic group dialogues (e.g., on social impact assessment, environmental impact assessment, and procurement etc.) to narrow gaps between Government procedures and international practices. However, these initiatives will need to be supplemented by concrete actions to address implementation delays arising from inadequate project preparation and project readiness; lack of effective mechanisms to fast track project startup; and limited capacity of counterpart staff to administer projects and manage implementation. This is consistent with the various portfolio performance reviews on Viet Nam (footnote 2), which have identified several underlying technical, institutional and financial constraints that hinder smooth project preparation, startup, and implementation.

4. Once loan negotiations are concluded and loan documents are signed, most project management units (PMUs) are reluctant to start any project related activities (even inviting

¹ According to the Ministry of Planning and Investment, during the 2006–2010 period, overall ODA commitment and signed were \$31.76 billion and \$20.26 billion, respectively, while actual disbursement was \$13.86 billion.

² Asian Development Bank. *2011 Viet Nam Country Portfolio Review Background Paper*, and *Joint Portfolio Performance Review VIII, November 2011*, joint paper by the Six Banks.

expressions of interest from consultants) before the loan is declared effective, even where advance action³ has been approved⁴. In Viet Nam, the legal structure usually restricts any agency implementing an ODA-funded project from spending counterpart funds until the loan is declared effective. On average, it takes 8 months from loan signing to loan effectiveness; over 12 months to recruit consultants; and 18 months from loan effectiveness to the first loan disbursement. Startup delays can delay projects for up to 2 to 3 years. While the revision of Decree 131/2006/ND-CP⁵ will allow advance action, the funding needed for advance action may still not be available.

5. There is a varied level of capacity to implement projects at the central and provincial levels. In many cases, the executing and implementing agencies do not have the requisite experience to implement ODA-funded projects. Even those which have previous experience may lack the capacity to implement ODA-funded projects because of limited financial resources, lack of technical skills and ability to communicate with the donors. The Government is, therefore, in need of a facility that will adequately address the technical, institutional and financial shortcomings to startup ODA-funded projects. The PPSSF will allow the selected agencies to startup, prepare and implement ADB-financed projects to ensure effective aid utilization. This can only be achieved, if adequate front-loading of needed resources is provided. The PPSSF is, therefore, proposes to enable: (i) better preparation of investment projects by providing funds for updating feasibility studies, finalizing detailed engineering designs, and preparing bidding documents; (ii) quick project startup; (iii) resolution of project implementation related bottlenecks due to the lack of capacity of most executing and implementing agencies on safeguards (conducting baseline surveys, updating resettlement plans and compensation plans, incorporating environmental management plans into the bidding documents), procurement (selecting the first consulting firm for detailed design and supervision) and disbursement (opening imprest accounts and managing withdrawal applications); and (iv) provision of transaction advisory services. As a result, PPSSF will improve project performance, enhance the quality of investments, speed up disbursements, and ensure the realization of economic benefits.

6. By financing detailed engineering designs, bidding and other key project documents, PPSSF will accelerate and complete the project preparation in a way that a typical project preparation technical assistance (PPTA) grant would not be able to accommodate. In addition, the PPSSF could also be used as an alternative to a PPTA to finance the entire project preparation from feasibility study to bidding documents. The PPSSF is included in ADB's Country Partnership Strategy (CPS) 2012-2015.

7. The PPSSF interfaces very well within both ADB and the Government's respective approval processes, by bridging the gap and maximizing the time between loan fact finding, (after which time the PPTA consultant starts to demobilize) and loan effectiveness (, when the loan consultant is recruited), which can take up to eighteen months. After the signature of the loan fact finding's memorandum of understanding between the counterpart and the ADB Mission and the counterpart, the ADB Mission moves the loan towards Staff or Management Review Meeting, in order to look for ADB management to invite the Government for loan negotiation. Meanwhile, the counterpart, having received from the Prime Minister delegation of the project management under Decree 131/2006, will approve the feasibility study and submit

³ Advance actions are activities that are undertaken prior to loan effectiveness to enable quick project startup. Examples include initiating consultant recruitment, advanced procurement, preparing detailed engineering designs and bidding documents, and establishing the project management unit.

⁴ Asian Development Bank, 2011 Internal study by Central Operations Services Office, Manila

⁵ Due in Quarter IV of 2012 on Delegated Management of ODA funded projects

all project documents to the State Bank of Viet Nam⁶ (SBV). SBV will circulate for comments the project documents to the line Ministries and finalize a recommendation for Prime Minister to approve the loan negotiation. After loan negotiation, ADB will approve the loan, and then the Government will appraise the loan before signing and effectiveness. With the PPSSF and the insurance of funding for advance action, bidding and contract awards can proceed as soon as the loan is declared effective.

B. Impact and Outcome

8. The impact of the PPSSF will be improved aid effectiveness in Viet Nam. The outcome of the PPSSF will be the strengthening of the Government's capacity to fast-track the preparation, startup and implementation of ADB-funded projects in Viet Nam.

C. Outputs

9. The outputs of the PPSSF are: (i) quality feasibility studies, detailed design, bidding documents, upgrading of project documents during implementation that meet Government and ADB requirements to accelerate required approvals; and (ii) built capacity of EA and IAs to better identify, review, appraise and prepare viable public investments. The design and monitoring framework is in Appendix 3.

10. **Output 1: Production of quality project documents and actions to fast track project startup:** The PPSSF will finance the preparation, startup and implementation activities of the Government's proposed investment projects (Subprojects) including: (i) preparation of quality project documents, including feasibility studies, detailed engineering designs, and bidding documents; (ii) activities to facilitate advance contracting; and (iii) other activities to enable quick startup of Subprojects.

11. **Output 2: Capacity Development of Executing Agency and Implementing Agencies to prepare and appraise viable public investments.** The PPSSF will provide project management support to and will build the capacity of the: (i) executing agency (EA) to screen, identify, review and appraise Subproject proposals; (ii) implementing agencies (IAs) to improve the quality of proposals and applications for Subprojects and carry out Subproject preparatory activities including advance contracting in a timely and efficient manner; and (iii) EA to purchase office equipment for PCU.

⁶ ADB counterpart agency for ADB, representing the State of Viet Nam.

II. IMPLEMENTATION PLANS

A. Facility Readiness Activities

12. Readiness criteria for the PPSSF include: (i) Loan fact finding mission with Project Investor (PI) / EA's endorsement of draft PAM, containing the institutional arrangements, cost estimates, financing arrangements (including counterpart funds agreed between Government and ADB), financial management (FM) arrangements, auditing arrangements and safeguard compliance; (ii) Presentation of the PPSSF at the Staff Review Meeting (SRM), (iii) Prime Minister approval of the Project Detailed Outline (PDO), following Decree 131/2006/ND-CP; (iv) PI/EA approval of the PPSSF Feasibility Study; (v) loan negotiations; and (vi) loan approval by ADB. Table 1 indicates readiness activities to be carried out prior to implementation of the PPSSF.

Table 1. Facility Readiness Activities (2012)

Activities	2012						2013		By
	Sep	Oct	Nov	Dec	Jan	Feb	March	Apr	
PDO Approval	X								GOV
Feasibility Study Approval		X							GOV
Loan Negotiations			X						
ADB Board Approval				X					ADB
Legal opinion issued							X		GOV
Loan effectiveness								X	ADB

Source: Asian Development Bank

B. Overall Implementation Plan

13. The MPI will be the EA for the PPSSF and manage the PCU with the following tasks: (i) selection of IAs at the CPM; and update at the CPCM or at any other times upon agreement between ADB and the EA; and (ii) monitoring and evaluation (M&E), including consolidated reporting of the Facility on a semi-annual basis; (iii) capacity development and technical assistance to the IAs. The EA will also benefit from capacity development and technical assistance in parallel to the WB's PPTAF.

14. The PPSSF will be implemented over a 6 years period, from April 2013 to June 2019. The Project will close 6 months later on 30 December 2019, to finalize outstanding disbursement. The PPSSF can receive additional financing, upon request by the Government and processing by the ADB PPSSF Team.

III. FACILITY MANAGEMENT ARRANGEMENTS

A. Key Stakeholders and Responsibilities

15. MPI, as multi-sector coordinating agency for ODA-funded projects will be the EA for the PPSSF and will be responsible for the overall implementation of the PPSSF. A Project Coordination Unit (PCU) will be established under the MPI, to undertake the day-to-day activities of the PPSSF. Selected line ministries and local governments (Provincial and City Peoples' Committees) eligible under Decree 131/2006 will be the IAs for Subprojects.

16. International and national consultants specializing in project management will assist the PCU in: (i) processing Subproject proposals and applications; (ii) ensuring quality control; (iii) conducting capacity development activities for the EA and the IAs; and (iv) carrying out other administrative support, as required by the EA. The PPSSF will also finance the PCU's costs for annual independent audits, procurement of necessary office equipment, and workshops and site visits during preparation or implementation of Subprojects. ADB will meet at least quarterly with the WB and the EA to coordinate, review issues and improve the implementation of the PPSSF.

17. The IAs will implement their respective Subproject, through a Project Implementing Unit (PIU). PIUs will be responsible for timely submission of Subproject applications to PCU, procurement of consulting services for Subproject preparation, consultant contract management, and ultimately preparation of subsequent investment loans. PIUs will liaise closely with MPI and relevant agencies as well as the ADB Subproject Team. PIU will ensure that the outputs (feasibility studies, detailed design and bid documents, and/or other documents) conform to Government and ADB procedures and guidelines, including, but are not limited to, environmental and social safeguard compliance, gender, fiduciary compliance, procurement, and disbursement and quality assurance.

18. To be eligible for financing under the PPSSF, a Subproject must meet one of the following criteria (Criteria): (i) it must be included in the project pipeline in the CPS/COBP; (ii) it must be considered by the Government as high priority; or (iv) it must be agreed upon by the MPI and ADB at the CPM, the country programming confirmation mission (CPCM) or the country portfolio review mission (CPCM). The IA proposing a Subproject will work closely with the team processing such Subproject (Subproject Team) to determine the outputs, activities, and the required budget for the Subproject. Time for completion of preparatory work for a Subproject will be limited to 3 years. A justification and approval by the EA will be required for any extension of time to complete the Subproject tasks financed under the PPSSF.

19. The IAs will implement their respective Subprojects, through Project Implementing Units (PIUs). Each PIU will be responsible for the: (i) the timely submission of the Subproject proposal and application to the PCU to access financing under the PPSSF; (ii) the procurement of consulting services for the Subproject preparation and implementation, including consultant contract management; and (iii) processing subsequent investment loans for the Subprojects. Each PIU will liaise closely with the PCU under MPI, as well as with the ADB Subproject Team to finalize the Subproject preparation and advance action. The PIU will ensure that the deliverables financed under the PPSSF, such as but not limited to, updated feasibility studies, detailed engineering designs and bidding documents, and/or any other documents) conform to the Government and ADB's policies, procedures and guidelines, including, but not limited to those concerning anticorruption measures, safeguards, gender, procurement, consulting services and disbursement

20. ADB will work closely with the EA and the IAs for the overall implementation of the PPSSF. The ADB team responsible for implementing the PPSSF (PPSSFF Team) will support

and supervise the EA's execution of the PPSSF by: (i) providing its no objection for all the consultant recruitment and procurement activities managed by the EA; (ii) ensuring that the implementation of the PPSSF complies with the fiduciary requirements; and (iii) monitoring and evaluating the portfolio of the Subprojects.

21. The Subproject Team will collaborate with the IAs and provide guidance to the PIUs in preparing Subproject proposals and applications, capacity assessments of the IAs for financial management and procurement, as well as safeguards compliance. The approval process for financing under PPSSF for Subprojects is summarized as follows. Based on the Criteria, the IA will discuss the objectives, scope and budget of the proposed Subproject with ADB and the EA to assess the need for PPSSF financing. Thereafter, the IA will prepare and submit an application for funding to the EA. The PCU will review the application and will determine whether the application is eligible within 28 calendar days of receipt of the application. The PCU will, then, submit a request to ADB to commit financing from the PPSSF. The PPSSF Team will review the application and consult with the Subproject Team on the scope and implementation of the Subproject. Upon receiving ADB's no objection, the Standing Vice Minister or the Minister of MPI will approve the Subproject. The PCU will issue a notice to proceed to the IA for the PIU to start the implementation of the Subproject. The Government has been informed that approval by ADB of financing under PPSSF for a Subproject does not commit ADB to finance the ensuing Subproject.

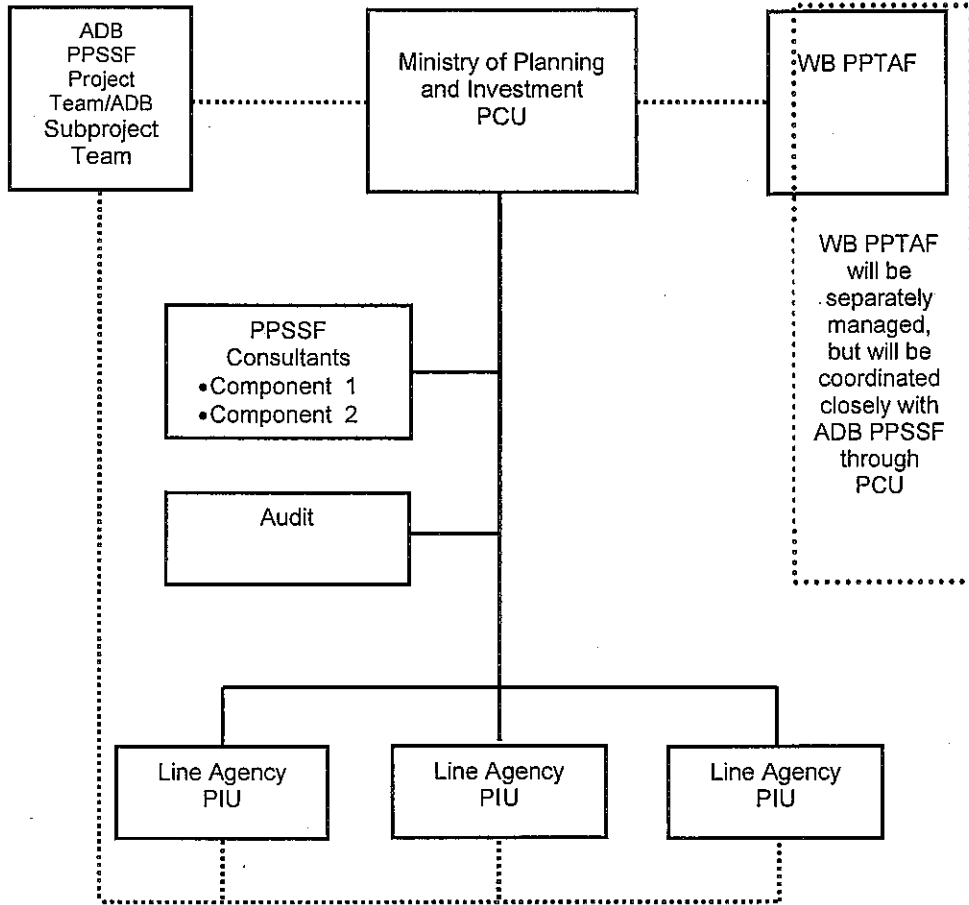
22. A summary of the roles and responsibilities of the key stakeholders are in Table 2. A diagram depicting implementation arrangements is in Figure 1.

Table 2. Summary of Roles and Responsibilities of Key Stakeholders

Stakeholders	Responsibilities
Ministry of Planning and Investment (MPI)	Serves as PO/EA of PPSSF. Responsible for overall execution of PPSSF, which include but are not limited to monitoring, coordination evaluation, budgeting and overall quality assurance.
Project Coordination Unit (PCU)	Established within MPI: manage implementation of PPSSF; screen and appraise subproject applications from LAs/PIUs; develop and implement capacity building programs; and coordinate with other relative agencies PIUs, relevant Government agencies, and ADB PPSSF and Subproject teams. PCU will be assisted by consultants financed under the loan on a day-to-day basis. The PCU is responsible for the submission of the WA, retention of project administration documents, administration of the imprest account and submission of the annual audit report.
Ministry or PPC	Implement as IA the Subproject and ensure compliance with Government and ADB procedures, and oversee overall activities of its PIU.
Project Implementing Unit (PIU)	Prepare and timely submit subproject proposal applications, liaise with Government and ADB and ensure that the outputs conform to prevailing procedures and guidelines.
ADB PPSSF Team	Supervise execution of PPSSF with the EA/PCU, including clearances for all subproject applications and consultant activities; ensure that the Project is in compliance with fiduciary and safeguard requirements; monitor and evaluate portfolio of subprojects.
ADB Subproject Team	Collaborate with and provide guidance to IAs and PIUs in preparing subproject applications, capacity assessments; assists PIUs in FM, procurement, safeguard compliance, and quality assurance.

Source: Asian Development Bank, 2012.

Figure 1. Implementation Arrangements



B. Key Persons Involved in Implementation

Executing Agency

Ministry of Planning and
Investment

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Director General
Foreign Economic Relations Department

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C. Subproject Eligibility

23. To be eligible for PPSSF financing, subprojects must meet several conditions. First is that applicants are IAs/POs (from Ministries/Provinces) of ADB-financed Projects (both ADF and OCR sources). Second, they are government agencies or benefit generating companies with government capital shares. The investment project must be included in the CPS or COBP subject to agreement by Government and ADB. For projects not in the CPS/COBP but which Government considers as high priority and agreed upon by the Government and ADB. A draft AF endorsed by the IA which specifies that PPSSF funding will be sought.

24. Upon screening for eligibility PCU will conduct a rigorous selection process based on several criteria to include, but not limited to: (i) complementarity of PPSSF funding with the preparation of the investment loan, and (ii) impact on project preparation and startup.

D. Subproject Application Procedures

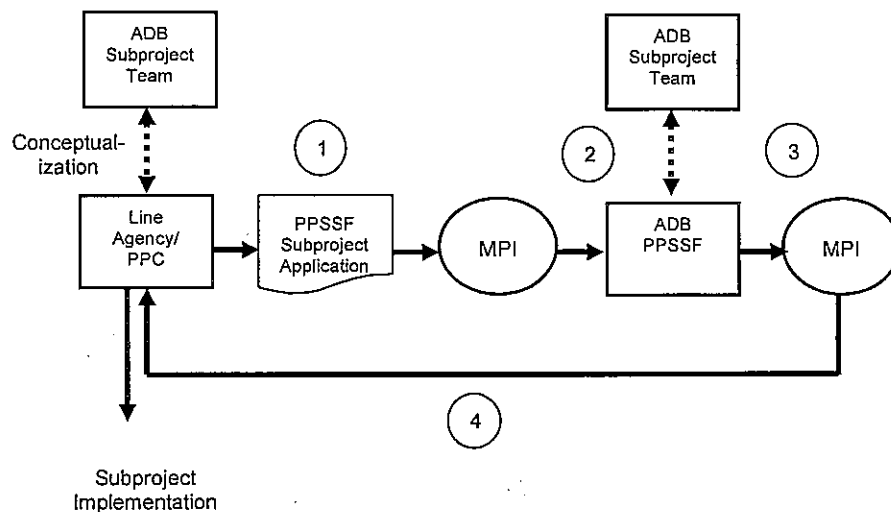
25. The processing and approval of subprojects is summarized in Table 3. The work flow is presented in Figure 2.

Table 3. Summary of Subproject Processing and Approval

Stage	Process
1	Initial subproject application Based on CPS/COBP pipeline, CPM, CPCM or CPRM, LA discusses project objectives, scope and budget of investment project with ADB and determines the need for PPSSF financing. LA prepares an application in the form of AF and submits to PCU at MPI. EA will sign application letter if FS of investment project has not approved, IA / project owner will sign application letter if FS of investment project has been approved. The AF should indicate that PPSSF funding is proposed (hereinafter called "Subproject").
2	Review of application PCU reviews request for PPSSF funding and determines whether the application meets eligibility criteria and if so, reviews the application for suitability and subsequent approval. If FS of investment project has not yet approved, PCU needs to consult with MOF and SBV in reviewing the EA's fund application. Upon approval, PCU notifies the LA, within 28 days of receiving the application, and submits a request to ADB on behalf of the LA, on a no-objection basis.
3	ADB review and no-objection ADB PPSSF Team reviews application from PCU and consults ADB Subproject Team on the scope and implementation of the Subproject, before issuing a No Objection Letter
4	MPI endorsement of PPSSF funding After PCU endorsement and ADB no objection, the Subproject is approved by the Standing Vice Minister or the Minister of MPI. PCU informs ADB PPSSF Team and LA / PIU and issues a notice to proceed to the LA/PIU to start subproject implementation

Source: Asian Development Bank

Figure 2. Subproject Application and Approval Process



IV. COSTS AND FINANCING

A. Estimated Project Costs

26. The Government has requested a loan in various currencies equivalent to SDR 24.626 million from ADB's Special Fund resources to help finance the PPSSF. The loan will have a 32-year term, including a grace period of 8 years, an interest rate of 1.0% per annum during the grace period and 1.5% per annum thereafter, and such other terms and conditions set forth in the draft loan agreement. The Government will make the loan proceeds available to the EA and the IAs upon the terms and conditions acceptable to ADB. The project investment plan, comprising the base cost and contingencies is in Table 4.

Table 4. Project Investment Plan
(figures in \$ million)

Item	Amount
A. Base Cost	
1. Project Preparation and Startup Support	30.50
2. Capacity Building and Project Management Support	4.88
B. Contingencies	2.50
C. Taxes and Duties	1.50
D. Financial Charges During Implementation	1.00
Total	40.38

Source: ADB Project Team

^a Any taxes and duties and financial charges during implementation due will be financed by the Government. Taxes and duties are computed at 5% of the Project Preparation and Startup Support and Financial charges during implementation at 1% of the disbursed and outstanding amount of the loan.

^b In mid-2012 prices.

^c Physical contingencies computed assumed 0% since no civil works is entailed. Price contingencies computed at roughly 5% on project costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Project management support, including incremental administration cost of the PCU, inline with ADB's Operation Manual H3/Bank Policies. PCU costs, including office rental, travel, per diem, allowances, study tours, workshop expenses, car rental and car expenses, stationary, consumables for IT equipment, etc...for PCU staff and other Government staff.

27. The project investment plan will be sourced through ADB funds and counterpart funds provided by the government. See Table 5.

Table 5. Financing Plan
(figures in \$ million)

Source	Amount
Asian Development Bank	37.88
Government	2.50
Total	40.38

Source: Asian Development Bank

B. Detailed Cost Estimates by Expenditure Category

28. Cost estimates by expenditure category, are in Table 6.

Table 6. Cost Estimates by Expenditure Category
(figures in \$ million)

Item	Amount
A. Investment Costs	
1. Consulting Services	
a. Project Preparation and Startup Support	30.50
b. Capacity Building and Project Management Support	3.40
c. Trainings and Workshops	0.70
2. Office Equipment and furniture	0.02
3. Incremental Administration ^a	0.76
Subtotal A	35.38
B. Contingencies	2.50
C. Taxes and duties	1.50
C. Financial Charges During Implementation	1.00
Total	40.38

Source: Asian Development Bank

C. Allocation and Withdrawal of Loan Proceeds

29. Allocation and withdrawal of loan proceeds is in Table 7.

Table 7. Allocation and Withdrawal of Loan Proceeds
(figures in \$ million unless indicated otherwise)

No	Item	Amount	Subcategory	Percentage and basis for withdrawal from loan account
1.	Consulting Services	34.60		100% of total expenditures*
2.	Incremental Administration	0.76		100% of total expenditures*
3.	Office equipment and furniture	0.02		100% of total expenditures*
4.	Unallocated	2.50		
	Total	37.88		

* Exclusive of taxes and duties within the territory of the Borrower

Source: Asian Development Bank

D. Cost Estimates by Component

30. Cost estimates by component are in Table 8.

Table 8. Cost Estimates by Component
(figures in \$ million unless indicated otherwise)

Item	Component 1:		Component 2:		Total
	Project Startup		Capacity Building		
	Amount	Percent	Amount	Percent	
A. Consulting Services	30.50	88.0%	4.10	12.0%	34.60
B. Incremental Administration	0.00	0.0%	0.78	100.0%	0.78
C. Contingencies	0.50	20.0%	2.00	80.0%	2.50
D. Taxes and Duties	1.50-	100%-	-	-	1.50-
E. Financial Charges	0.80-	80.0%-	0.20	20.0%-	1.00-
Total	33.30	82.5%	7.08	17.5%	40.38

Source: ADB Project Team

E. Cost Estimates by Funding Source

31. Cost estimates by funding source is in Table 9.

Table 9. Cost Estimates by Source
(figures in \$ million unless indicated otherwise)

Item	ADB		GOV		Total
	Amount	Percent	Amount	Percent	
A. Investment Costs					
1 Consultants					
a. PPSSF	30.50	100.0%	0.00	0.0%	30.50
b. CB & PMS	3.40	100.0%	0.00	0.0%	3.40
c. Workshops/Trainings	0.70	100.0%	0.00	0.0%	0.70
Office equipment and furniture	0.02	100.0%	0.00	0.0%	0.02
2					
Subtotal (A)	34.62	100.0%	0.00	0.0%	34.62
B. Recurrent Costs					
1 Incremental Administration	0.76	100.0%	0.00	0.0%	0.76
Subtotal (B)	0.76	100.0%	0.00	0.0%	0.76
C. Contingencies	2.50	100.0%	0.00	100.0%	2.50
D. Taxes and Duties	0.00	0.0%	1.50	100.0%	1.50
E. Financial Charges	0.00	0.0%	1.00	100.0%	1.00
Total Project Cost (A+B+C+D)	37.88	93.9%	2.50	6.1%	40.38

Incremental administration cost of the PCU, inline with ADB's Operation Manual H3/Bank Policies. PCU costs, including office rental, travel, per diem, allowances, study tours, workshop expenses, car rental and car expenses, stationary, consumables for IT equipment, financial management software, etc... for PCU staff and other Government staff.

Expenditures purchased with ADB loan will follow ADB procurement procedures (refer to Procurement Plan Section PAM and Loan Agreement).

Expenditures purchased with domestic funds will follow State Government procedures.

Source: ADB Project Team

Taxes and duties, if any will be borne by the Government

Total may not add because of rounding

F. Cost Estimates by Year

32. Breakdown of costs by year is in Table 10. The contract award and disbursement S-curve is in Figure 3; and the annual amounts are in Table 11.

Table 10. Cost Estimates by Year for loan
(figures in \$ million)

Item	Total Cost	2013	2014	2015	2016	2017	2018	2019
Investment Costs								
Consultants								
a. PPSSF	30.50	0.00	3.50	4.00	8.00	8.00	7.00	
b. CB & PMS	4.10	0.50	1.00	1.00	1.00	0.20	0.20	0.20
Recurrent Costs								
Incremental Administration	0.78	0.12	0.12	0.12	0.12	0.10	0.10	0.10
Contingencies	2.50	0.00	0.00	0.50	0.50	0.50	0.50	0.50
Total	37.88	0.62	4.62	5.62	9.62	8.80	7.80	0.80

Source: Asian Development Bank

Note: numbers may not necessarily precisely add up due to rounding

Figure 3. Disbursement S-Curve, 2013 - 2019

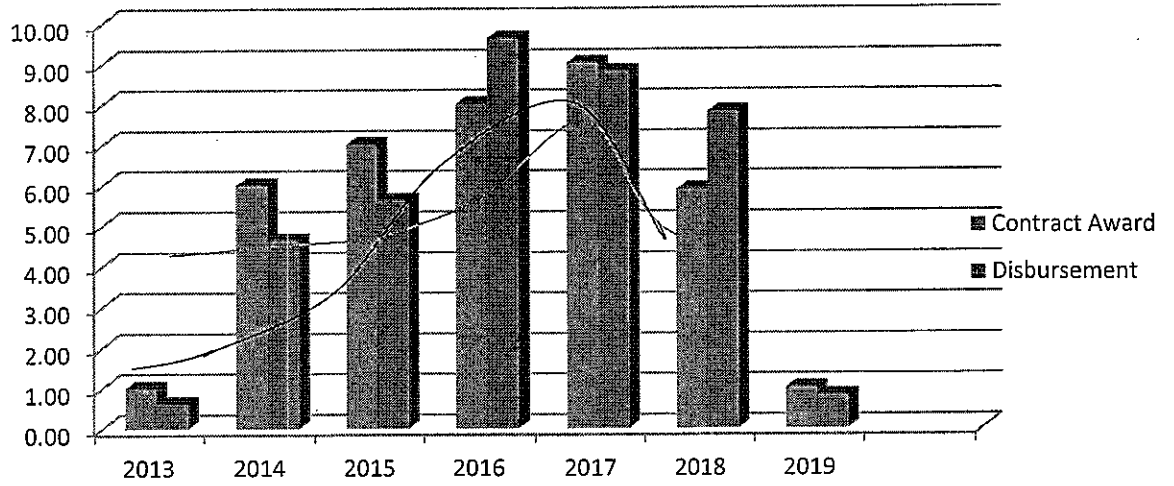


Table 11. Contract Awards and Disbursement Schedule

Year	2013	2014	2015	2016	2017	2018	2019
Contract Award	1.00	6.00	7.00	8.00	9.00	5.88	1.00
Disbursement	0.62	4.62	5.62	9.62	8.80	7.80	0.80

Source: Asian Development Bank

V. FINANCIAL MANAGEMENT

A. Risk Assessment and Mitigation

34. The overall financial management (FM) risk of the Project is assessed as **moderate** before mitigating measures, but considered **low** after the measures are in place. The PPSSF will draw on World Bank's PPTAF experience during the past two years of implementation.

35. The dedicated PCU under MPI has experience with project preparation and implementation of World Bank PPTAF. It will require a financial management specialist (FMS) to support PCU in various aspects of FM, assist in providing FM support to LAs and PIUs, manage the PPSSF Imprest Account, prepare periodic financial reports and annual financial statements, and arrange for annual audits. PCU is not responsible for authorizing or verifying transactions of subprojects which are the responsibilities of IAs. The IAs through the sub-project PIUs will be fully responsible and accountable for FM of the subcomponents, except for audit arrangement which will be done by PCU..

36. PCU will be equipped with FM specialist and staff will be provided with FM training (particularly on project FM and ADB requirements of FM and disbursement). IAs will be required to provide their PIU with FM staff with adequate accounting background and experiences. See Table 12.

Table 12. Assessment of Risks and Mitigation Measures

Risk	Risk Rating	Risk Mitigation Measures Incorporated into Project Design	Residual Risks
Inherent Risk			
Country level: Overall Fiscal Environment	Moderate	Capacity building in budgeting, implementation and monitoring, commitment control and debt management;	Low
Entity and Project level: the PCU may not have necessary/experience in similar work/capacity to implement the project	Moderate	(i) Project Administration Manual (PAM) will be complemented with a comprehensive FM Guidance/ Manual which will be further developed; (ii) Staffing with acceptable background and experiences will be appointed; (iii) Training on project management and FM will be delivered; (iv) World Bank, through its PPTAF have had some experience in managing a similar facility for which lessons may be drawn	Low
Entity and Project level: non-clarified implementation arrangement causing delays in implementation and payments	Moderate	(i) PAM will be complemented with a comprehensive FM Guidance/ Manual which will be further developed and integrated into the PAM; (ii) PCU will coordinate closely and follow WB's PPTAF processes and procedures.	Low
Entity and Project level: sub-projects may not have	Moderate	(i) PAM containing a comprehensive FM Guidance/ Manual will be developed;	Low

Risk	Risk Rating	Risk Mitigation Measures Incorporated into Project Design	Residual Risks
the necessary capacity to implement the project		(ii) Only sub-projects that meet qualification criteria (including financial and operation qualifications) will be allowed to participate. (iii) Training on project management and FM will be delivered to IAs. (iv) Support from PCU will be provided to sub-projects in terms of project management and implementation;	
Overall Inherent Risk	Moderate		Low
Control Risk			
Budgeting: lack of clarity for procedures may cause delayed approval of budget slowing down implementation.	Moderate	(i) Budget setting and approval will be decentralized to Implementing Agencies; (ii) Comprehensive procedures of budgeting will be set up in FM Manual, as part of the PAM. (iii) Based on WB experience, the three-step approval has now been simplified to a one-step approval process	Low
Funds Flow: lack of clarity for procedures may cause delayed disbursement to subprojects.	Moderate	Procedures of fund flow would be provided in the FM Manual, where in certain cases, payments would be allowed to be made directly to contractors of IAs to speed up payments. IAs retain the roles of authorizing their expenditure which will be verified by State Treasury, MOF	Low
Staffing: Staff of sub-projects may not have FM capacity.	Moderate	(i) Appointment of FM staff with adequate FM capacity is eligibility criteria for sub-projects; (ii) Comprehensive FM guidance will be set up in FM manual; (iii) FM training delivered to FM staff of sub-projects is eligibility criteria.	Low
Overall Control Risk	Moderate		Low

37. PCU and PIUs are responsible for ensuring that an adequate internal control framework and internal controls are in place and operating. Internal controls will include: (i) established clear defined FM responsibilities, supervision, monitoring and reporting structures; (ii) observed the segregation of duties; (iii) defined and documented financial processes and procedures; (iv) set up adequate management reporting, including analysis of variances and findings with monthly and quarterly reporting to the Board of Management.

B. Disbursement

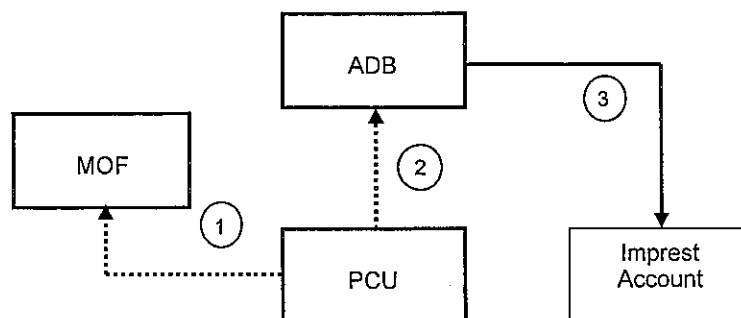
38. Disbursement will be in accordance with ADB's *Loan Disbursement Handbook* (2012, as

amended from time to time) and detailed arrangements agreed upon between the Government and ADB. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS),⁷ ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. Loan proceeds will be disbursed to the consultants, based on an approved contract. Payments for PCU and PIU incremental administration costs will be made from an imprest account⁸, managed and administered by PCU, held at a commercial bank opened by SBV and acceptable to ADB. The maximum ceiling of the imprest account will not at any time exceed 10% of the loan amount. The currency of the imprest account will be USD. The request for initial advance to the imprest account should be accompanied submission of evidence by SBV, satisfactory to ADB that the imprest account has been duly opened. For every liquidation and replenishment request of the imprest account, the borrower will furnish to ADB (a) Statement of Account (Bank Statement) where the imprest account is maintained, and (b) the Imprest Account Reconciliation Statement (IARS) reconciling the above mentioned bank statement against the EA's records.⁹

39. **Initial deposit.** Upon submission of a withdrawal application (WA), ADB will advance funds up to 10% of the loan amount, based on a 6 month estimate of expenditures to be financed through the imprest account. The funds will be used for consulting activities for project preparation and startup support, project implementation, capacity building and project management incremental costs.

40. **Fund application and transfer.** Once the PPSSF funding is approved and the notice to proceed issued by the PCU, the PIU will submit WAs for advance deposits, payments to consultants, and other payments, along with supporting documents, to PCU. The WA is then sent to MOF Debt Management and External Finance Department, which cosigns the WA together with PCU. The documents are submitted to ADB, which reviews and approves the WA. ADB may require additional documents and/or clarification as needed. Upon approval, ADB deposits advances to either the PCUs Imprest Account or make payment directly to the consultant, as specified in the request. If the IA has more than 2 contracts, a sub-account will be established within the IA's PIU. The flow diagrams are in Figure 4 and 5.

Figure 4. Fund flow diagram from the Bank to the PCU Imprest Account



Source: Modified from World Bank. 2010. *Project Appraisal Document on a Proposed Credit for a Project Preparation TA Facility Project.*

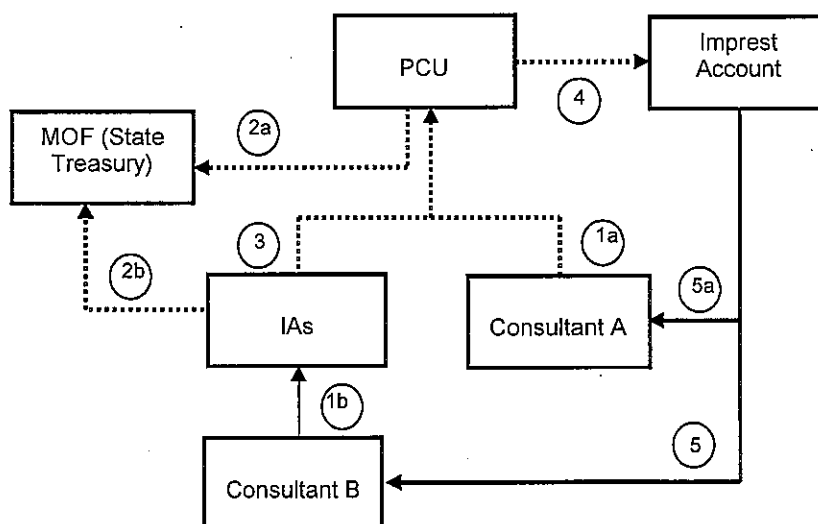
⁷ Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

⁸ Bank charges in relation to the imprest account may be financed by the ADB loan.

⁹ Follow the format provided in Appendix 30 of the *Loan Disbursement Handbook*.

Stage	Process
1	PCU prepares the WA and sends to MOF for co-signature
2	PCU submits WA to ADB
3	ADB disburses fund to PCU's imprest account at a commercial bank acceptable to ADB

Figure 5. Fund flow diagram for payments made by PCU to consultants/contractors



Source: Modified from World Bank. 2010. *Project Appraisal Document on a Proposed Credit for a Project Preparation TA Facility Project.*

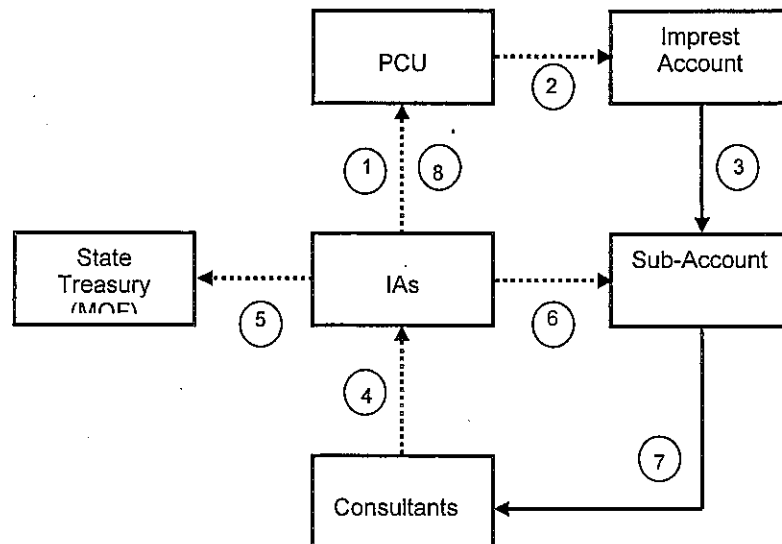
Stage	Process
1	Consultants submit request for payments to PCU (1(a)) and to IA (1(b))
2	PCU submits request for payment and supporting documentation to State Treasury (MOF) (2(a)) and IAs submits request for payment and supporting documentation to the MOF (2(b))
3	IAs submit request for payment to PCU
4	PCU instructs its commercial bank to make payments from the imprest account
5	Commercial bank makes payments to consultant of PCU in (5(a)) and contractors of IAs in (5(b))

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Figure 6. Fund flow diagram for the payments using advance mechanism



Stage	Process
1	IAs submit request for advance to PCU
2	PCU instructs Commercial Bank to transfer advances to IAs' sub-accounts at Commercial Bank
3	PCU's Commercial Bank transfer funds to IAs' sub-account at Commercial Bank
4	Contractors submit request for payments to IA
5	IAs submits request for payment and supporting documentation to the State Treasury, MOF
6	IAs instruct its commercial bank to make payments
7	Commercial bank make payments to consultants
8	IAs submit supporting documentation clearing the advances received from PCU

Source: Modified from World Bank. 2010. *Project Appraisal Document on a Proposed Credit for a Project Preparation TA Facility Project.*

41. Disbursement plan by Sub-project/ contract should be prepared bi-annually by each IA and based on the implementation status; (ii) the plan of each IA will be consolidated by the PCU; and (iii) the variance analysis will be performed at both IA and PCU levels, which will be included in the quarterly financial reporting and progress reports. IA will also keep track of commitments and PCU will be responsible for the consolidated figures of the Project.

42. The Project will use the following disbursement methods:

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W

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- (i) Reimbursement. ADB may reimburse the Borrower for expenditures eligible for financing pursuant to the Loan Agreement ("eligible expenditures") that the Borrower has pre-financed from its own resources;
- (ii) Imprest account procedures. ADB may advance loan proceeds into the imprest account of the Borrower to finance eligible expenditures as they are incurred.
- (iii) Direct Payment. ADB may make payments, at the borrower's request, directly to a third party (e.g., supplier, contractor, and consultant) for eligible expenditures.

43. WAS reporting eligible expenditures paid from the imprest account will be submitted monthly. The Statement of Expenditures (SOEs) may be used for individual payments less than \$50,000. All other expenditure above the SOE thresholds will be submitted on the basis of full documentation which will include copies of receipts, supplier invoices and bills of lading. SOE records should be maintained and made readily available for review by ADB's disbursement and review mission or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit..

44. Before the submission of the first withdrawal application, SBV should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the Borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is US\$100,000, unless otherwise approved by ADB. The EA is to consolidate claims to meet this limit for reimbursement and imprest account claims. Withdrawal applications and supporting documents will demonstrate, among other things that the goods, and/or services were produced in or from ADB members, and are eligible for ADB financing.

A. Accounting

45. The PCU and the IAs will maintain separate project accounts and records by funding source for all expenditures incurred on the Project. Project accounts will follow international accounting principles and practices, or those prescribed by the Government's accounting laws and regulations.¹⁰ Given the simplicity of payments, no accounting software is considered necessary. Instead a system of spreadsheets will be developed to record funds and uses of PPSSF funds. This spreadsheet will be used by PCU and IAs. At IAs, if IA has computerized accounting system then the system will be used for accounting and reporting if the system is assessed by ADB as being acceptable.

B. Auditing

46. The PCU and the IAs will cause the detailed consolidated project accounts to be audited in accordance with International Standards on Auditing by an auditor acceptable to ADB. The audited accounts will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the EA. The annual audit report will include a separate audit opinion on the use of the imprest fund and the SOE procedures. The Government and EA and IAs have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited accounts. ADB reserves the right to verify the project's

¹⁰ Accounting System for Administrative Entities (based on the Decision 19 of MOF)

financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

VI. PROCUREMENT AND CONSULTING SERVICES

A. Procurement of Goods and Consulting Services

47. **Procurement.** Procurement will be undertaken in conformity with ADB's *Procurement Guidelines* (April 2010, as amended from time to time). Procurement by PIUs (on their subprojects), will be the responsibility of the IA/PIU. For this purpose PCU will be required to have a procurement specialist to assist IAs and PIUs on procurement-related issues. Before the start of any procurement ADB and the Government will review the public procurement laws of the central and state governments to ensure consistency with ADB's *Procurement Guidelines*.

48. **Consulting Services.** Consultant recruitment will be undertaken in conformity with ADB's *Guidelines on the use of consultants* (April 2010, as amended from time to time).

B. Procurement Plan

49. The Procurement Plan for the initial 18 months of the Project has been developed, reviewed, and discussed, and agreed with the ADB and the EA. The Procurement Plan will be updated in agreement with the ADB PPSSF Team annually, or as required, to reflect the actual project implementation needs and improvements in capacity building. The EA will be required to submit, on a semi-annual basis, a consolidated procurement monitoring report to ADB, as part of Harmonized Monitoring Report (HMR). The report should include the status of implementation of the procurement plan as well as information on contract progress and expenditure..

50. Basic Data

Country: Viet Nam	Executing Agency: MPI, Viet Nam
Loan Amount: US\$ 37.88 million	Loan Number:
Date of First Procurement Plan: 06/11/12	Date of this Procurement Plan: 06/11/12:

C. Thresholds, Review and 18-Month Procurement Plan

51. **Project Procurement Thresholds:** The Procurement Plan for the initial 18 months of the Project has been developed, reviewed, and discussed, and agreed with the ADB and the EA. The Procurement Plan will be updated in agreement with the ADB PPSSF Team annually, or as required, to reflect the actual project implementation needs and improvements in capacity building. The EA will be required to submit, on a semi-annual basis, a consolidated procurement monitoring report to ADB, as part of Harmonized Monitoring Report (HMR). The report should include the status of implementation of the procurement plan as well as information on contract progress and expenditure. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works

Method	Threshold
Shopping for Goods	Up to \$100,000

52. **ADB Prior or Post Review:** Except as ADB may otherwise agree, the following prior or post review requirements apply to the various procurement and consultant recruitment methods used for the project.

Procurement Method	Prior or Post	Comments
Shopping for Goods	Post	

Recruitment of Consulting Firms

Quality- and Cost-Based Selection (QCBS)	Prior	
Quality-Based Selection (QBS) ^a	Prior	
Other selection methods ^a : Consultants Qualifications (CQS), Least-Cost Selection (LCS), Fixed Budget (FBS)	Prior	

Recruitment of Individual Consultants

Individual Consultants	Prior	
------------------------	-------	--

^awith prior approval of ADB

53. The following table lists goods contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Contract Value(\$M)	Procurement Method	Prequalification of Bidders (y/n)	Advertisement Date (quarter/year)	Comments
B3.1	0.01	SP	N	1/2013	Purchase Computers, Printers, and WiFi network accessories, photocopier machine and scan machine
B3.2	0.01	SP	N	1/2013	Purchase Office Furniture

54. **Consulting Services Contracts Estimated to Cost More Than \$100,000:** The following table lists consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Contract Value (\$ M)	Recruitment Method ¹	Advertisement Date (quarter/year)	International or National Assignment	Person-Months
B1.2-1. Team Leader	0.720	IC	1/2013	International	24
B1.2-2. Procurement Specialist	0.320	IC	1/2013	International	16
B1.2-4 Deputy Team Leader	0.210	IC	1/2013	National	60
B1.2-5 Procurement Specialist	0.315	IC	1/2013	National	90
B1.2-6 Financial Specialist	0.260	IC	1/2014	National	70
B1.2-7 Gender/Social Development Specialist	0.140	IC	1/2014	National	40
B1.2-8 Environment Specialist	0.140	IC	1/2014	National	40
B1.2-9 Resettlement Specialist	0.140	IC	1/2014	National	40
B.1.2.10 Accountant	0.465	IC	1/2013	National	140
B.1.2.11 Training Specialist	0.140	IC	2/2013	National	40
B.1.2.12 Information Technology Specialist	0.150	IC	2/2013	National	40
B.1.2.13 Administrative Assistant	0.200	IC	2/2013	National	90
B.1.2.14 Translator	0.100	IC	2/2013	National	90
B1.2-15 Audit	0.100	CQS/LCS	4/2013	International/National	

Total consulting \$3.40 million

D. Indicative List of Packages Required Under the Project

55. The following table provides an indicative list of all procurement (goods, works and consulting services) over the life of the project.

General Description	Estimated Value (cumulative) (\$ M)	Estimated Number of Contracts	Procurement Method	Domestic Preference Applicable	Comments
Goods	0.02	02	SP	NA	

General Description	Estimated Value (cumulative) (\$ M)	Estimated Number of Contracts	Recruitment Method	Type of Proposal	Comments
Consulting Services (Capacity Development)	3.38	13	IC/LCS/CQS		
Consulting Services (Preparation Subprojects)	30.50	To be determined	IC/QCBS		Firm or Individual Consultants

E. Consultant's Terms of Reference

56. The EA in consultation with the ADB Facility Team will prepare a detailed Consultant's terms of reference for the capacity development and project implementation supervision. The outline terms of reference is in Appendix1. The IAs in consultation with the EA and the ADB Subproject Team will prepare Consultant's Terms of Reference for the Subprojects to be prepared under the Facility¹¹.

¹¹ Terms of reference guidelines available at: http://www.adb.org/Documents/Manuals/Consulting-Services-Operations-Manual/CSOM.pdf?bcsi_scan_D4A612CF62FE9576=AORY9a8Nho2ezS9Xss/liqEAAAANNiAA&bcsi_scan_filena me=CSOM.pdf (paras 65-72).

VII. SAFEGUARDS

57. PPSSF will meet all ADB fiduciary requirements for project preparation, including safeguard compliance under Safeguard Policy Statement (2009) or its latest document. During loan fact-finding, an ADB PPSSF Team will conduct an evaluation of the procurement capacity of the EA/PO to implement the project and a FM assessment of the PPSSF. Safeguards categorization is proposed under Category "C" (no impact), considering that the output of the PPSSF is limited to consulting services to produce feasibility studies reports, including safeguard documents and some implementation reports, update project documents during implementation and build capacity of both EAs and IAs.

VIII. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Design and Monitoring Framework

Design Summary	Performance Targets and Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact Improved aid effectiveness in Viet Nam</p>	<p>Preparation of over \$4 billion investment projects financed and cofinanced by ADB (CPS 2012-2015) and subsequent CPS</p>	<p>ADB's CPS/COBP and other donors' programming documentation</p> <p>Government annual reports</p> <p>ADB's and other donors' annual country portfolio performance reports</p>	<p>Assumptions Adequate Government capacity at the central level for budgeting, implementing and monitoring project preparation</p> <p>Risk New EAs do not have necessary experience to implement project preparation</p>
<p>Outcome Government capacity to fast track preparation and implementation of ADB financed projects in Viet Nam is strengthened</p>	<p>Reduce first contract award under the loan from the current 12 months to under 6 months from effectiveness by 2015.</p> <p>Increase disbursement to 30% within the first year after loan effectiveness</p>	<p>CPM and CPCM MOUs Other donors' project processing reports</p> <p>Loan review mission BTORs</p> <p>PCRs</p>	<p>Assumptions Upfront capacity building on ADB processes are provided, such as procurement and disbursement.</p> <p>Risks Lack of clarity in implementation arrangements Delays in resettlement related activities</p>
<p>Outputs 1. Production of quality project documents and actions to fast track project startup</p> <p>2. Capacity Development of Executing Agency and Implementing Agencies to prepare and appraise viable public investments</p>	<p>Specific advanced actions with funding source, timeframe and responsibilities specified in the PPSSF application</p> <p>Improved portfolio performance by fast tracking project startup within 6 months of loan effectiveness by 2015</p> <p>Time from effectiveness to 1st contract and to 30% disbursement of the approved subprojects are shorter than VIE average by 2015</p>	<p>FSR, Project reports, Bidding documents</p> <p>Loan review mission BTORs</p> <p>Handbook on Project Processing and Implementation of ADB-funded Projects ("Blue Book")</p> <p>First loan review mission BTOR and loan effectiveness letter</p>	<p>Assumption Increased supervision and guidance from Government and ADB Project Teams.</p> <p>Adequate counterpart funding allocated for project preparation</p> <p>Risks Unclear procedures on fund flows may cause delayed disbursement to subprojects</p> <p>Unclear procedures on budgeting may cause delayed approval of budget slowing down implementation</p>

Design Summary	Performance Targets and Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks
Activities with Milestones 1.1 Project identification during CPM/CPCM/CPRM, from 2013 onwards 1.2 Project preparation completed within 6 months, from 2013 1.3 Advance actions implemented as agreed from Quarter I 2013 1.4 Screen sub-project applications, by Quarter II 2013 1.5. Assist with portfolio management, monitoring and evaluation every Quarter 2.1 Update "Blue Book" in 2013 and 2015 2.2 Develop and adopt application procedures, by Quarter I 2013 2.3 Conduct semi-annual training on various aspects of project management 2.4 Conduct external audits every year from 2013 2.5 Finance incremental cost of the PCU		Inputs ADB: \$37.88 million ADF loan Government: \$2.5 million	

ADB = Asian Development Bank, ADF = Asian Development Fund, BTOR = back-to-office-report, CPS = Country Partnership Strategy; COBP = country operations business plan, CPCM = country programming confirmation mission, CPM = country programming mission, CPS = country partnership and strategy, EA = executing agency, M&E = monitoring and evaluation, MOU = memorandum of understanding, PCR = Project Completion Report, PCU = project coordination unit.

Source: ADB Project Team

B. Monitoring

58. **Performance monitoring** Performance monitoring determines the progress of project implementation. Performance monitoring will have two aspects: monitoring of activities and monitoring of processes, in terms of identification and prioritization of needs. It will be undertaken via: (i) quarterly and annual progress reports from PMUs. This information will be consolidated by the PCU, and reported to ADB as part of its FM reports, and (ii) annual review of process for identifying and selecting sub-projects.

59. **Compliance monitoring** The MPI, through the PCU and supported by the ADB PPSSF Team, will have to ensure that (i) PPSSF funding was disbursed against qualifying sub-project preparation activities; (ii) sub-projects funded under PPSSF conform to agreed eligibility criteria; (iii) agreed FM arrangements have been followed; and (iv) agreed procurement arrangements have been followed.

60. ADB and MPI will undertake regular reviews of the Project at about 6-month intervals to assess compliance with the loan covenants. Compliance will also be monitored through quarterly progress reports submitted by the PMIU (through the PCU), and review of project accounts and procurement procedures.

C. Evaluation

61. Within 6 months of physical completion of the Project MPI will submit a project completion report (PCR) to ADB.

D. Reporting

62. The PCU will provide ADB with (i) semi-annual progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including

progress achieved by output as measured through the indicator's performance targets, key implementation issues and solutions, updated procurement plan, and updated implementation plan for next 12 months; and (iii) a PCR within 6 months of physical completion of the Project. To ensure projects continue to be both viable and sustainable, project accounts and the EA AFSs, together with the associated auditor's report, should be adequately reviewed.

IX. ANTICORRUPTION POLICY

62. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.¹² All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the EA and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.

63. To support these efforts, relevant provisions are included in the loan agreement/regulations and the bidding documents for the Project. Moreover, the Government will ensure that all of the MPI project staff are fully aware of and comply with the Government's and ADB's procedures, including procedures for (i) implementation, (ii) procurement, (iii) use of consultants, (iv) disbursement, (v) reporting, (vi) monitoring, and (vii) prevention of fraud and corruption.

64. In addition to the above requirements, the Borrower shall set up a Project website that shall disclose how the Loan proceeds are being used and the contracts awarded, including: (i) the list of participating bidders; (ii) the name of the winning bidder; (iii) basic details on bidding procedures adopted; (iv) the amount of the contract awarded; (v) the list of goods and/or services purchased; and (vi) the resettlement monitoring reports. The website shall be updated within two weeks after: (i) each award of contract; and (ii) each submission of the quarterly monitoring reports on resettlement.

65. The Borrower shall: (i) undertake necessary measures to create and sustain a corruption-free environment for activities under the Project; (ii) comply with ADB's Anticorruption Policy (1998, as amended to date); and (iii) where appropriate, ensure that relevant provisions of ADB's Anticorruption Policy are included in all bidding documents for the Project. The Borrower: (i) acknowledges ADB's right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive and coercive practices relating to the Project; and (ii) agrees to cooperate fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation. All external costs related to such investigations shall be met by the Project resources or by the Borrower.

66. Without limiting the generality of the preceding paragraph, the Borrower shall: (i) conduct periodic inspections on the suppliers', contractors', consultants' and other service providers' activities related to the Loan proceeds, fund withdrawals and settlements; and (ii) ensure that all contracts financed by ADB in connection with the Project include provisions specifying the right of ADB to audit and examine the records and accounts of the Recipient, and all suppliers, contractors, consultants and other service providers as they relate to the Project.

67. Table 13 contains the *Strategic Governance and Accountability Risk Matrix* which is applicable for the entire PPSSF project. It aims identifying potential risks of corruption and appropriate mitigation measures developed in consultation with and agreed by the EA and the Bank. This Strategic Governance and Accountability Risk Matrix will be subject to review during the implementation of the project and may be refined with mutual agreement between ADB and the IA.

¹² Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

Table 13. Strategic Governance and Accountability Risk Matrix

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

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

X. ACCOUNTABILITY MECHANISM

68. People who are, or may in the future be, adversely affected by the project may address complaints to ADB, or request the review of ADB's compliance under the Accountability Mechanism.

XI. RECORD OF PAM CHANGES

69. All revisions/updates during course of implementation should retain in this Section to provide a chronological history of changes to implemented arrangements recorded in the PAM.

Appendix 1

Consultant Terms of Reference

A. Project Team Leader Consultant (International, 24 person-months)

The International project Team Leader consultant will have at least 15 years of international experience in development finance, project management, developing and reviewing project proposals, and understanding of institutional structures, operating mechanisms, and funding requirements. The expert should have worked in a variety of regions and developed a knowledge base and expertise in working with key government agencies at the national and subnational levels and resolution of project implementation issues. The consultant, in coordination with national consultants, will be responsible for:

- (i) reviewing subproject applications and providing recommendations to the project coordination unit under the Ministry of Planning and Investment;
- (ii) assisting the project coordinating unit in their activities and providing financial and project management-related advice as needed;
- (iii) liaising with other Government agencies, development partners and ADB on project-related matters;
- (iv) supervising national consultants on aspects relating to procurement, document processing and quality control;
- (v) developing detailed selection criteria for subproject applications, monitoring system to track subproject applications, disbursements, ensuring quality of submissions, and maintaining all documentation/ transaction records;
- (vi) identifying mechanisms for maintaining an audit trail and all necessary documentation for tracking for audit purposes.
- (viii) preparing quarterly reporting format on all disbursements and related activities.

B. Deputy Project Team Leader Consultant (National, 60 person-months)

The National Project Team Leader consultant will have at least 8 years of international experience in development finance, project management, developing and reviewing project proposals, and understanding of institutional structures, operating mechanisms, and funding requirements. The expert should have worked in a variety of regions and developed a knowledge base and expertise in working with key government agencies at the national and subnational levels and resolution of project implementation issues. The consultant, in coordination with other national consultants, will be responsible for:

- (i) reviewing subproject applications and providing recommendations to the project coordination unit under the Ministry of Planning and Investment;
- (ii) assisting the project coordinating unit in day to day activities and providing financial and project management-related advice as needed;
- (iii) liaising with other Government agencies, development partners and ADB on project-related matters;

- (iv) supervising national consultants on aspects relating to procurement, document processing and quality control;
- (v) developing detailed selection criteria for subproject applications, monitoring system to track subproject applications, disbursements, ensuring quality of submissions, and maintaining all documentation/ transaction records;
- (vi) identifying mechanisms for maintaining an audit trail and all necessary documentation for tracking for audit purposes.
- (viii) preparing quarterly reporting format on all disbursements and related activities.
- (ix) ensuring a good communication amongst international consultants, ADB expert team, and governmental institutions involved in the project, in particular MPI, FERD and Lines Ministries.

C. Procurement Specialist (International 16 person-month)

The international procurement specialist will directly work with the two national procurement specialists. He will carry out an appraisal of all procurement procedures foreseen in the Application Forms of the PIU for the implementation of PPSSF sub-projects. He will scrutinize the bidding document, and also, including but not restricted to:

- (i) Support the Team Leader (TL) in planning and implementing necessary works to enhance procurement capacity of PIU.
- (ii) Carry out training at PCU and PIU level on ADB's regulation in terms of procurement.
- (iii) Define for each sub-project a time table for each type of procurement procedure envisage, and make sure that all bidding documents are ready on time and in conformity with ADB's procedure requirements.
- (iv) Supervise, with the two national procurement specialist, all the tender opening as observer

D Procurement Specialist (2 national, 90 person-month)

The national procurement specialists will directly work with the international procurement specialist and other related international and national specialists to perform assignments of procurement management capacity building for the PIU's. The assignment of the national procurement management specialists includes but not limited to:

- (i) Assist the international procurement management specialist in all matters related to procurement procedure in line with ADB's requirement
- (ii) Carry out training of procurement officers at level of PIU's.
- (iii) Make a complete checking of the bidding documents prepared by PIU, in particular in terms of time table and respect of ADB requirements
- (iv) Participate as observer in tender opening and evaluation made by PIU.

E. Financial Management Specialist (2 national, 70 person-month)

The national financial management specialist will directly work with the international team leader and other related international and national specialists to perform assignments of financial management capacity building for the PIU. The assignment of the national financial management specialist includes but not limited to:

- (i) Assist the national financial management specialist in all matters related to Review information system and procedures in each PIU, propose appropriate improvements and reforms.
- (ii) Prepare and perform a financial managing development program (FMDDP) to modernize the information management system in each PIU.
- (iii) Prepare a program of on-the-job financial training seminars and courses for the companies;
- (iv) Cooperate with the workshop and training consultants recruited by the PCU to closely integrate with the on-the-job training assignments.

F. Safeguard Specialist (3 national, 120 person-month)

Three national safeguard specialists will be recruited as (i) Gender / Social Development Specialist; (ii) Environment Specialist; (iii) Resettlement Specialist to assist in the implementation of ADB's Safeguard Policy Statement (2009), including Gender. The assignment of the national safeguard specialists includes. but not limited to:

- (i) Gender / Social Development Specialist: Assist and Review Gender Action Plan, Social Assessment, including initial and summary poverty assessment and ethnic minority / indigenous people for categorization and ethnic minority development plan.
- (ii) Environment Specialist: Assist and Review Environmental Impact Assessment or Initial Environment Examination. Prepare and review environmental categorization, including rapid environmental assessment,
- (iii) Resettlement Specialist: Assist and Review Resettlement Plan. Prepare and review resettlement categorization.

G. Support Staff to the PCU (10 national, 400 person-month)

Seven Support staff will be recruited to assist in the management and project coordination of the PCU: (i) 3 Accountants (140 PM) to assist with the management of the imprest account and project related accounting; (ii) 1 x Information Technology Specialist (40 PM) to work on the day to day running of the IT; (iii) 2 x Training Specialist (90 PM) to implement training activities for the PCU and the PIUs; (iv) 2 x Administrative Assistants (90 PM) for the day to day management of the PCU; (v) 2 x Translators (90 PM) for translation work at the PCU.