



## Viet Nam: Improving Portfolio Performance and Aid Management

Project Name	Improving Portfolio Performance and Aid Management		
Project Number	48183-001		
Country	Viet Nam		
Project Status	Active		
Project Type / Modality of Assistance	Technical Assistance		
Source of Funding / Amount	<b>TA 8806-VIE: Improving Portfolio Performance and Aid Management</b>		
	Technical Assistance Special Fund		US\$ 600,000.00
	<b>TA: Improving Portfolio Performance and Aid Management (Supplementary)</b>		
	Technical Assistance Special Fund		US\$ 600,000.00
Strategic Agendas	Inclusive economic growth		
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships		
Sector / Subsector	<b>Public sector management</b> - Economic affairs management		
Gender Equity and Mainstreaming	No gender elements		

## Description

### a. Link to Country Partnership Strategy/Regional Cooperation Strategy:

A thematic focus of the Country Partnership Strategy for Viet Nam 2012-2015 is governance and capacity development. Improved institutional arrangements and capacity for ODA management will help increase aid effectiveness which, in turn, will contribute to enhancing economic efficiency, which is one of the pillars of the CPS.

The proposed TA will replicate and deepen successful activities of the ongoing TA 8034: Support to Improve Portfolio Performance and Aid Effectiveness. The proposed TA will continue the successful EA Training Calendar programs on project management under TA 8034 to meet EA training needs. While Government regulations now officially allow for advance actions, actual implementation of advance actions requires awareness raising and technical support. New Government regulations, project management experiences and lessons learnt (compiled in the Handbook on Processing and Implementing ADB Projects in Viet Nam which is being prepared under TA 8034) will be disseminated to EAs/PMU through training programs under the proposed TA. The proposed TA will address emerging issues, such as minimizing the consequences of shortage of counter-part funds and the need for more focused portfolio reviews.

### b. Impact

The impact will be effective aid management by the Government of Viet Nam. The target is that total ODA disbursements to Viet Nam during 2015-2020 will reach \$18 billion.

### c. Outcome

The outcome will be improved performance of ADB's portfolio in Viet Nam. By 2017, the loan disbursement ratio will be stabilized at 20 percent or more and the project loan contract awards ratio will increase to 20 percent from 15.6 percent in 2013.

### d. Outputs

The TA outputs will be (i) improved capacity for project implementation and supervision; (ii) improved project implementation readiness; (iii) strengthened Government \_ Development Partners coordination for portfolio management; and (iv) institutional reform support for effective ODA management.

Output 1: Improved capacity for project implementation and supervision. Capacity building activities would result in faster compliance with ADB procedures. They will be built upon, replicate and refine the successful training programs under TA 8034. To support the immediate need for improved contract awards and disbursement performance, annual demand-driven Training Calendars, mainly class-room type training workshops tailored to different groups of participants, will be implemented. Training topics will include, but not limit to, advance actions, project planning, contract management, disbursement and audit, and introduction on portfolio performance indicators. The training programs will use training modules developed under TA 8034. New training modules will be developed to cover emerging portfolio performance areas.

Priority will be given to big projects with large packages. The target participants will include not only PMU staff but also staff of EA departments who are responsible for project documents appraisal and who play an important role in accelerating the approval process in the line ministries. Most of the training workshops are home-grown and will be conducted in Vietnamese by VRM staff to facilitate better understanding and interaction. Awareness raising workshops on ADB policies/procedures and the gaps between ADB and Government systems will be conducted for relevant Government oversight bodies, including, among others, the Treasuries and the Inspectorates. Better understanding of ADB procedures by these oversight bodies will enhance PMU confidence in complying with ADB procedures. The outreach beyond PMU staff to officials of line ministries and other government agencies would lead to institutional capacity improvements in the longer-term.

Output 2: Improved project implementation readiness. Extensive support will be provided to ADB-funded projects in the pipeline to prepare and implement advance actions. It will include reaching out to EA management and appraisal departments to clarify the need and feasibility of advance actions; assisting PMUs in developing advance action implementation schedules to maximize the benefit of advance actions; and reviewing bidding documents/bid evaluation reports of advance procurement packages to improve the quality of those documents before submission to ADB.

Output 3: Strengthened Government \_ Development Partners coordination for portfolio management.

Portfolio performance reviews will be more effective when the ownership of the Government is ensured. The TA will support portfolio reviews including, but not limited to, support the ODA NSC, provincial governments in preparing Issues Papers for joint ADB-ODA NSC/provincial portfolio reviews and joint Government - Six Banks Joint Portfolio Performance Reviews (JPPRs). Mechanisms for tracking counter-part fund allocation and actual provision/disbursement under ADB-funded projects will be explored.

Output 4: Institutional reform support for effective ODA management. ADB, individually and jointly with the Six Banks group, will continue to conduct policy dialogue on necessary changes to the legal framework and institutional arrangements. Thematic studies will be conducted to provide inputs to various Government-Development Partners fora including the Viet Nam Development Partnership Forum (VDPF), the Aid Effectiveness Forum, and JPPRs. A study on PMUs, building upon the previous PMU studies of other development partners, will be conducted to provide inputs to a planned MPI circular on PMU professionalization and a planned government-led PMU Certification Program. This would support the development of the legal framework for PMU professionalization, and enhance the sustainability of capacity building efforts and supplement Output 1. Other thematic studies will be identified during TA implementation to best respond to emerging portfolio performance issues.

Project Rationale and Linkage to Country/Regional Strategy

ODA has been playing an important role to support Viet Nam's socio-economic development in the last 20 years. Since ODA resumption in 1993, \$51 billion was provided to Viet Nam and \$37.6 billion was disbursed as of end 2013. ODA accounted for about 15% of public investments. As Viet Nam is moving to a lower middle-income country, the share of less concessional of ODA for Viet Nam is increasing. Besides, Viet Nam has been facing an ever-tighter budget situation in the last several years. These developments require more effective government utilization of ODA resources to implement its public investment plans.

Until recently, the Viet Nam portfolio has always been below ADB average in terms of financial performance. The 2010, 2011 and 2012 Vietnam portfolio disbursement ratio was 12.33 percent, 16.14 percent and 11.52 percent respectively as compared with the ADB average ratio of 25.15 percent, 22.84 percent and 22.30 percent. However, 2013 was the first year where the Viet Nam disbursement ratio was on par with the ADB average ratio (21 percent), and the 2014 disbursement ratio (as of September 2014) is also on par. There are a number of challenges for Viet Nam to improve contract awards performance and to sustain a comparable level of disbursements in the subsequent years. The first challenge is the weak capacity of EA/Project Management Unit (PMU) staff. As of 31 May 2014, the on-going portfolio has a total of 48 central PMUs and 383 provincial PMUs in all 63 cities and provinces. Many EA/PMU staff are not familiar with ADB policies and procedures. This leads to delays in ADB approval of project related documents because of the back and forth submissions due to low quality of papers submitted to ADB. Likewise, delays in EA approval of project documents are caused by the delays in appraisal by related EA departments who often do not know ADB policies and procedures. Dual application of both government and ADB procedures and the lack of delegation of decision making authorities to PMUs also add to the delays. The need for a well-structured and well-sequenced capacity building program is huge and is partly met by the ongoing TA 8034 Support to Improve Portfolio Performance and Aid Effectiveness.

Second, a new regulation that allows advance actions to ensure project implementation readiness is still subject to some confusion among EAs and to some extent resistance due to institutional reluctance to change. Decree 38 on Utilization and Management of ODA and Concessional Lending from Donors (dated April 2013) and MPI Circular 01 guiding implementation of Decree 38 (dated January 2014) officially allow for advance actions. However, there is a lack of clear guidance on specific timelines to achieve the desired impact of advance actions. Therefore, it is necessary to raise awareness of EA leaders, to get consensus on the specific timelines of each advance action and to provide extensive technical support to PMUs to prepare for and implement advance actions. These activities are crucial to transform advance actions into a common practice in the Viet Nam portfolio.

Third, the ODA monitoring and supervision by the government has changed in the context of the new ODA structure in Viet Nam. As a result of the decentralization policy and the increase in the share of some sectors in the total ODA, the role of line ministries in managing their portfolios has been increasing. In 2013, an ODA National Steering Committee (NSC) chaired by a Deputy Prime Minister, was established with all members being Vice Ministers of line agencies. The ODA NSC wants to organize portfolio reviews with development partners on a regular basis. The sector portfolio reviews the ADB Viet Nam Resident Mission (VRM) initiated in 2013 were very effective to address sector portfolio issues, because the reviews were based on more focused discussions and chaired by Vice Ministers of line ministries who have the authority to make decisions. It is important to institutionalize these effective portfolio management mechanisms and support relevant government counter-parts to implement the outcomes of the reviews.

Recently, the lack of adequate and timely provision of counter-part funds has caused serious delays in a number of ADB-funded projects. The government's policy is to give priority to ODA projects. However, counter-part funds are allocated as a lumpsum to each line ministry and province, which then have the discretion to allocate to any project under their responsibilities. As the lumpsum amount allocated at the beginning of the year is always smaller than the amount requested, many projects experience inadequate and/or delayed provision of counter-part funds. While the broader issue of counter-part fund shortage can only be addressed through measures to improve the state budget situation and better prioritization of public investments, a more transparent allocation mechanism would help on-going projects to better plan project implementation and to enable timely interventions by ADB, when necessary.

In 2011, ADB provided Viet Nam with a technical assistance TA8034-VIE: Support to Improve Portfolio Performance and Aid Effectiveness. A very successful output of TA8034 was the institutionalization of advance actions in Decree 38 in 2013, providing the legal basis for future ODA projects to implement advance contracting to reduce start-up delays. With the support of TA 8034, for the first time, trainings of EA/PMU staff of ADB financed-projects were conducted in a more structured way through an annual Training Calendar and outreached to sub-national levels. About 1,800 staff of central and sub-national level PMUs and EAs were trained under the 2013 and 2014 Training Calendars, contributing to the remarkable improvements in disbursement ratio in 2013 and the first half of 2014. TA 8034 will be completed in November 2014. There is a need for more support to make implementation of advance actions in ADB projects happen and continuation of the training programs to meet the training needs which were not met by TA 8034.

Impact	Effective aid management by the Government of Viet Nam
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**Project Outcome**

Description of Outcome	Improved ADB portfolio performance in Viet Nam
Progress Toward Outcome	2015 Training Program has improved capacity for PMUs, PPMUs and government officials at provincial and district levels.

**Implementation Progress**

Description of Project Outputs	<ol style="list-style-type: none"> <li>1. Improved capacity for project implementation and supervision</li> <li>2. Improved project implementation readiness</li> <li>3. Strengthened Government _ Development Partners coordination for portfolio management</li> <li>4. Institutional Reform Support for Effective ODA Management</li> </ol>
Status of Implementation Progress (Outputs, Activities, and Issues)	<p>The TA was effective on 27 Feb 2015.</p> <p>Three consultants including Portfolio Management and Project Implementation Specialist and two administrative assistants/Interpreters have been recruited and mobilized. The TA successfully delivered a training program I 2015 with 12 training workshops focused in detailed project implementation plan, social and safeguards compliance, procurement, disbursement and audit to improve capacity for PMUs, PPMUs and government officials at provincial and district levels. 2016 Training Program has been developed and is being implemented.</p>
Geographical Location	

## Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

### Stakeholder Communication, Participation, and Consultation

During Project Design	The scope of the technical assistance was discussed with MPI to ensure Government ownership. Draft Project Concept Note was shared with MPI for comments.
During Project Implementation	The Ministry of Planning and Investment (MPI) is the Executing Agency of the TA. A Project Management Unit (PMU) set up under the Foreign Economic Relations Department (FERD) to management day-to-day activities of the TA. The PMU will be supported by a group of international and local consultants.

## Business Opportunities

Consulting Services	Recruitment of individual consultants including international consultants (4 person-months), national consultants (34 person-months) and Administrative Assistants/Interpreters (60 person-months).
Procurement	Procurement, if any, shall follow ADB's Procurement Guidelines (2013 as amended from time to time). Shopping method will be applied to get at least three quotations for workshops/seminars/training events.

## Responsible Staff

Responsible ADB Officer	Do, Hoang Nhat
Responsible ADB Department	Southeast Asia Department
Responsible ADB Division	Viet Nam Resident Mission
Executing Agencies	<i>Ministry of Planning and Investment 6 B Hoang Dieu street, Ba Dinh district, Hanoi, Viet Nam</i>

## Timetable

Concept Clearance	20 Aug 2014
Fact Finding	28 Aug 2014 to 28 Aug 2014
MRM	-
Approval	12 Dec 2014
Last Review Mission	-
Last PDS Update	28 Mar 2017

## TA 8806-VIE

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
12 Dec 2014	27 Feb 2015	27 Feb 2015	31 Dec 2017	-	-

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
600,000.00	0.00	146,000.00	0.00	0.00	0.00	746,000.00	12 Dec 2014	391,827.79

Project Page <https://www.adb.org/projects/48183-001/main>

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