

Updated Project Administration Manual

Project Number: 37097
Loan Number: 2357
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Vietnam: Integrated Rural Development Sector
Project in Central Provinces (With Additional
Financing)

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Project Administration Manual Purpose and Process

The updated project administration manual (PAM) describes the essential administrative and management requirements to implement the additional financing scope of the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. Implementation arrangements and procedure remain the same except some modification. The updated PAM describe such revisions. The updated 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 Agriculture and Rural Development (MARD) and the Provincial People's Committees of the participating provinces(PPCs)¹ are wholly responsible for the implementation of ADB financed projects, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by MARD and the PPCs 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 updated PAM and ensure consistency with the Loan agreement. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the updated PAM and the Loan Agreement, the provisions of the Loan Agreement shall prevail.

After ADB Board approval of the additional financing 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 updated PAM.

¹ Participating provinces are: Ha Tinh, Thua Tien-Hue, Binh Dinh, Phu Yen, Ninh Thuan and Binh Thuan

Abbreviations

ADB	=	Asian Development Bank
ADF	=	Asian Development Fund
AFS	=	audited financial statements
CQS	=	consultant qualification selection
DMF	=	design and monitoring framework
EARF	=	environmental assessment and review framework
EIA	=	environmental impact assessment
EMP	=	environmental management plan
ESMS	=	environmental and social management system
GACAP	=	governance and anticorruption action plan
GDP	=	gross domestic product
ICB	=	international competitive bidding
IEE	=	initial environmental examination
IPP	=	indigenous people plan
IPPF	=	indigenous people planning framework
LAR	=	land acquisition and resettlement
LIBOR	=	London interbank offered rate
NCB	=	national competitive bidding
NGOs	=	nongovernment organizations
PAI	=	project administration instructions
PAM	=	project administration manual
PMU	=	project management unit
QBS	=	quality based selection
QCBS	=	quality- and cost based selection
RRP	=	report and recommendation of the President to the Board
SBD	=	standard bidding documents
SGIA	=	second generation imprest accounts
SOE	=	statement of expenditure
SPS	=	Safeguard Policy Statement
SPRSS	=	summary poverty reduction and social strategy
TOR	=	terms of reference

I. DESCRIPTION OF ADDITIONAL FINANCING SCOPE

A. Rationale

1. **Project.** On 15 October 2007, ADB approved the Project with the total amount of SDR 58,723,000 (\$90 million equivalent, excluding Government contribution of \$24.8 million). Agence Francaise de Developpement (AFD) provided a parallel financing of €40 million (\$52 million equivalent). The Project was designed to (i) improve rural livelihoods by increasing agriculture productivity, (ii) widen employment opportunities, (iii) improve access to health, education and safe drinking water and (iv) reduce exposure to natural disasters which, partly as a result of climate change, were one of the causes of deteriorated infrastructure in the first place. The Project became effective on 6 May 2008.

2. MARD is the Executing Agency (EA). The Central Project Management Unit (CPMU) established within the Agriculture Project Management Board (APMB) of MARD has been responsible for overall project implementation at the national level while the Provincial Project Management Units (PPMUs) in the 13 project provinces² have been responsible for the day-to-day implementation of the Project. The Project has a seven year implementation period with the closing date of 30 June 2014. At the time of the Mid-term Review Mission (11 May to 3 June 2011) the original target indicators set for impact, outcome and outputs in the Design and Monitoring Framework (DMF) were modified to reflect the actual implementation progress.

3. **Project Performance.** The current Project is considered to be performing well according to the ADB's additional financing policy³ and OM Section H5/OP. Despite the initial start-up delay, the Project is well on track to achieving its intended outputs and outcomes. As of 15 July 2014, overall project implementation progress was 99% against the elapsed loan period of 94%. All 129 intended subprojects were physically completed. Cumulative contract awards and disbursements are at 95% and 96.5% respectively of the ADB net loan amount. In addition, the Government has substantially complied with all covenanted safeguard requirements during the implementation of subprojects to date. The project progress performance rating is "on-track".

4. According to the reports of the PPMUs, the Project rehabilitated 658 km of rural road (122% of the target), irrigated 115,163 ha (105%) of agricultural land with 46 irrigation canals and drainage schemes, 6 rural water supply schemes (120%), 20 rural markets (111%) and 9 flood protection schemes (225%). At the time of appraisal it was estimated that the proportion of sealed district roads on a provincial basis ranged from as low as 2% in some provinces to a maximum of 48% in others. It was also estimated that over 400,000 hectares (ha) of irrigation facilities were in need of rehabilitation, some 25,000 kilometers (km) of primary and secondary irrigation canals were in need of lining and that over a third of the rural population did not yet have clean water supplies. The Project has made a good contribution to meeting the provincial infrastructure development targets.

5. **Additional Support Needed.** Despite the achievements made so far, there is still a long way to go to reduce these infrastructural constraints to production and economic growth and to further reduce poverty in the project area. There is an increasing need to rehabilitate and/or

² The ongoing project covers: Thanh Hoa, Nghe An, Ha Tinh, Quang Binh, Quang Tri, Thua Thien-Hue, Quang Nam, Quang Ngai, Kon Tum, Binh Dinh, Phu Yen, Ninh Thuan, and Binh Thuan.

³ ADB. 2011. Additional Financing. *Operations Manual*. OM H5/BP. Manila (24 February) describes the eligibility criteria for additional financing as projects that (i) remain technically feasible, economically viable, and financially sound; (ii) are accorded high priority by the government; (iii) are consistent with the project's development objectives; and (iv) are consistent with the current country partnership strategy. The current project meets the eligible criteria for the additional financing.

upgrade the productive rural infrastructure (PRI)⁴ to serve the dual objective of social and economic development. This includes improving irrigation for rural water supply, double paddy cropping, the expansion of irrigated areas for cash crops and flood and drought control. Dams and reservoirs are the backbone of irrigation systems. Strengthening the aging and unstable dams and reservoirs is urgently needed. PRI also includes developing access roads to facilitate the movement of agricultural surpluses and improve social conditions. The government's national socioeconomic development plan 2011–2016 (NSEDP)⁵ and the Viet Nam's National Target Program for New Rural Development (2010–2020) (NRD) as well as the National Water Resources Strategy (2006-2020) (NWRS) recognize the dual objective of rural water infrastructure.

6. **Provincial Coverage.** While the Project is performing well based on the criteria in ADB's Additional Financing Policy⁶, implementation performance among 13 project provinces varies. Covering 13 provinces also resulted in a spread of project benefits and increased transaction costs for both the Government and ADB. To obtain a good balance between capital investments in relation to overhead costs, participating provinces for additional financing were prioritized based on their performance and needs, and the following 6 provinces were selected: Ha Tin, Thua Tien Hue, Binh Thuan, Ninh Thuan, Binh Dinh, and Phu Yen.

7. **Lessons Learned.** The Project initially faced a significant start-up delay mainly due to: (i) lack of or very limited English capacity of the CPMU and PPMUs to recruit loan implementation consultant (LIC), detailed design consultants, and supervision consultants; (ii) slow release of counterpart funds to carry out compensation payment for the affected beneficiaries prior to the commencement of civil works; and (iii) fragmentation of civil works packages. To avoid such delay and advance the preparatory work as much as possible, the following measures have been identified during the Mid Term Review mission: (i) explore utilizing the existing LIC consultants by extending their engagement period from January 2014 to December 2017 and expanding the TORs to assist the CPMU and PPMUs to prepare for the proposed Subprojects Investment Reports (SIR); (ii) utilize counterpart funds to finance detailed design and supervision consultants; (iii) reduced numbers of civil work packages; and (iv) provide training for the CPMU and PPMU staff on procurement, financial management and safeguards to update their knowledge on the new procedures and requirements.

8. Achieving the impact and outcome targets set in the Project's Design and Monitoring Framework (DMF) is a challenge as some indicators are not directly attributable to the Project or are affected by other factors. To better show the overall Project's contribution (including the additional financing scope) to the sector outcome presented in the sector results framework in the CPS 2011-2015 and make the data collection feasible, the need to modify the Project's DMF and its impact and outcome indicators for the additional financing scope was recognized. A need to provide complementary technical training to better realize the increased agricultural production and diversification was also recognized.

B. Impact and Outcome

9. The proposed additional financing is consistent with ADB's country partnership strategy 2012- 2015. The impact will remain the same: improved livelihoods, incomes, and standards of living for the region's rural population through increased agricultural productivity, wider

⁴ The term PRI refers to infrastructure that contributes to improving agricultural production through irrigation (reservoirs canals, water management and control structures) and access infrastructure (rural roads and bridges). The proposed Productive Rural Infrastructure Sector Project in the Central Highlands focuses on the PRIs.

⁵ Government of Viet Nam, Ministry of Planning and Investment. 2011. *The Five-Year Socio-Economic Development Plan, 2011–2016*. Ha Noi.

⁶ ADB. 2010. *Additional Financing: Enhancing Development Effectiveness*. Manila

employment opportunities, improved health and education levels, and reduced exposure to natural disasters. Minor modification is needed to the outcome: increased agricultural productivity in the Central Region. Impact and outcome indicators also require modification to adjust to the current socioeconomic conditions, consider direct attribution of the improved productive rural infrastructure, and feasibility of the data collection. The DMF is in Annex 2.

C. Outputs

10. Minor modification of the outputs is also needed to reflect the revised focus on the productive rural infrastructure (PRI) and further strengthen the project management capacity of the national, provincial, district and commune staff. Outputs for the additional financing will include: (i) improved PRI; (ii) Improved capacities of national, provincial, district and commune staff in project management and supervision, and farmers in agricultural production; and (iii) improved project management skills for infrastructure development.

11. The activities to improve PRI will include civil works to: (i) improve irrigation infrastructure including reservoirs and dams in 21 schemes; (ii) upgrade river and flood protection dikes to reduce saline intrusion; and (ii) rehabilitate canal roads and access roads around the irrigation schemes. Most of the proposed 24 subprojects aim to complement the rural infrastructure improved under the Project by meeting the remaining infrastructure needs in the same command areas to maximize the impacts. Rehabilitation of water supply is not included in the additional financing.

12. The outputs from the capacity building component will be the training of additional district and commune level personnel in implementation, construction supervision and O&M. The capacities of provincial and district individuals associated with the Project will also be further improved in the area of safeguards (including environment, resettlement, and social issues). These outputs will reinforce training at provincial and district levels already received under the Project, especially on safeguard matters, but also in other aspects of project implementation.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Indicative Activities	2014										Nov	Dec	2015		Responsibility	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct			Jan	Feb		
Contract variation for original Project LIC	X															
PDO approved			X													MARD/MPI/ OOG
FS approved				X												MARD
Loan negotiations					X											SBV/ADB
Loan neg. result approval							X									GOV
Advance contracting actions									X							MARD
ADB Board approval												X				VRMADB
Loan signing												X				SBV/ADB
Government legal opinion provided														X		SBV/MoJ
Government budget inclusion															X	MPI/MARD/ PPC
Loan effectiveness																VRM/OGC

Table 1: Project Readiness Filters

(As of 14 July 2014)

Filters	Stage 1 Draft Concept Paper	Stage 2 By Fact Finding	Stage 3 Before SRM/MRM	Stage 4 Loan Negs
CORE ADVANCE ACTIONS				
Advance actions reflected in the ADB project documents	N/A	Included in MOU, PAM and procurement plan	AA is not needed at this stage.	AA (negotiation of a new contract with LIC) will start in
National consultant hired to help the EA drafting the PO	N/A	No need for a national consultant as CPMU can draft PO as this is an additional financing	PDO is at the prime minister's office to be approved by the end of March 2014	
Final draft PO and F/S agreed between ADB and Government	N/A	Draft PO ready to be sent to PM without further modifications	Final draft PO is agreed between ADB and Gov; final F/S will be agreed in next in April.	PO was approved by the prime minister in March while F/S was approved by the Minister of MARD in F/S.

Filters	Stage 1 Draft Concept Paper	Stage 2 By Fact Finding	Stage 3 Before SRM/MRM	Stage 4 Loan Negs
Preparation of EOI, RFP and 1 st year bidding documents by the EA	N/A	N/A. Existing LIC contract has been extended till 30 June 2014 to assist the preparation of F/S and DD for subprojects	Existing LIC contract has been extended till 30 June 2014 to assist the preparation of F/S and DD for subprojects	2 nd extension of the LIC contract (till Dec 2014) was endorsed.
Line Ministry/PPC officially approves PMU establishment	N/A	N/A. PPMUs have been established	N/A	N/A
Procurement plan, bidding documents, ToRs and RFPs are ready in a final draft	N/A	PP and draft TORs for LIC through direct contract have been drafted	PP and TORs for LIC through direct contract are finalized	
Resettlement Plan Framework is approved	N/A		Approved and uploaded	
Line Ministry/PPC approves the procurement plan. PMU issues bidding documents and EOIs	N/A		PP Approved	
PROCUREMENT/CONSULTING				
PPTA procurement consultant ToR includes preparation of procurement assessment, procurement plan, potential SOE issues and advance actions	N/A		Assessment of 75 BERs was conducted and findings resulted in reduced packages and additional risk mitigation measures.	
Procurement assessment ready	N/A		BER assessment is attached as a supplementary appendix	
NCB Annex is explained to the PMU	N/A	It has been explained during the on-going project		Tailored made procurement training will be conducted for CPMU and PPMUs.
Small consulting packages to be funded by counterpart funding	N/A	Yes and reflected in the procurement plan		
Consulting and procurement packages are merged into few and large packages	N/A	Yes		
Single-stage single-envelope bidding procedure applied for small works contracts	N/A	Yes and reflected in PAM.		
PROJECT MANAGEMENT				
Project start-up consultant ToR (2 individuals) funded by PPTA to help advertising loan implementation consulting firm and 1 st year bidding documents	N/A	N/A	N/A	N/A
PPTA period must cover the period until at least loan effectiveness	N/A	N/A	N/A	N/A
Maximum 5 participating provinces in the project	N/A	6 provinces were selected as the additional financing was already discussed prior to the provincial restrictions		
Competitive mechanisms are developed to allow IAs to compete for unallocated funds and loan savings.	N/A	Yes. Mechanism developed in MOU and PAM	Mechanism mentioned in the issues paper	
ADB will approve CVs of key EA and/or IA staff before effectiveness or as a loan condition. This includes as a minimum: (i) An English-speaking CPMU procurement officer (ii) English-speaking CPMU technical deputy project director (iii) Chief accountant in CPMU	N/A	Existing EA/IAs already demonstrated their good implementation capacity.		
Selection of permanent CPMUs/PPMUs with staff who have prior exposure to ADB	N/A	N/A	N/A	N/A
Project director must be young enough to complete the project before his/her retirement (F: 55y, M: 60y)	N/A	Yes		
Evidence of provision of 1 st year counterpart funding is shown to ADB	N/A	Indicated in the MOU	PDO indicates the counterpart allocation for F/S and Detail Design	Evidence received
Prepare memo to VP for early approval of advance actions	N/A	No need		
ENGINEERING				

Filters	Stage 1 Draft Concept Paper	Stage 2 By Fact Finding	Stage 3 Before SRM/MRM	Stage 4 Loan Negs
PPTA ToRs include preparation of technical designs	N/A		N/A. national consultants to be recruited by the PPMUs with counterpart fund will do the technical design.	
Determine if detailed engineering design (DED) will be completed before loan approval. If yes, identify the source (counterpart, PPTA, PPSSF etc)	N/A		This is a sector project and DED will be completed during the implementation	
Designs and cost estimates are agreed with EAs	N/A		Detail cost estimates are agreed with EA	
FINANCIAL MANAGEMENT				
Financial management assessment ready	N/A	Shared with VRM disbursement unit staff for comments	Financial management assessment has been done with comments from VRM disbursement unit staff incorporated	
Project specific financial management manual developed	N/A	Already exists		Manual will be updated
Standard audit TOR for ADB-funded projects in Viet Nam is used. Only eligible audit firms can be awarded contracts	N/A	Included in PAM		
RESETTLEMENT				
PPCs/District PCs are aware of the project	N/A	Differences between ADB and Government regulations are recorded in the MOU		
Land acquisition and resettlement issues identified	N/A	Assessed and discussed with PPCs		
Preparation of Resettlement Policy Framework and a model sub-project resettlement plan by the PPTA	N/A	Draft REMDF/REMDP were prepared	Draft REMDF/REMDP were approved by the government and REMDF was uploaded	

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations – Roles and Responsibilities

Project Implementation Organizations Management Roles and Responsibilities

Executing Agency:

Ministry of Agriculture and Rural Development (MARD) through the Agriculture Project Management Board (APMB) and a Central Project Management Unit (CPMU)

MARD remains as the Executing Agency for the additional financing phase. APMB is delegated by MARD as the Investment Owner. CPMU will continue to implement project activities at the central level. MARD will manage Government and ADB project funds and will be responsible for loan covenant compliance, overall management and coordination of project implementation, including, specifically, activities associated with Output 2. The APMB will be responsible for the administration and staffing of the CPMU.

The CPMU will be responsible for overall Project management and coordination including:

- (i) liaise with provincial people's committees (PPCs), Departments of Agriculture and Rural Development (DARDs), and other stakeholders for project management and implementation issues;
- (ii) ensure that agreed criteria for subproject selection, prioritization and implementation are complied with.
- (iii) provide guidance and coordinate all implementing agencies to implement the Project Performance Management System (PPMS);
- (iv) monitor project schedules, funds flow and participation of various beneficiaries in the project activities;
- (v) undertake periodic review missions; midterm project reviews both independently and jointly with ADB;
- (vi) establish and manage one imprest account for the ADB loan;
- (vii) facilitate timely fund replenishments to sub-account at each PPMU;
- (viii) arrange for adequate counterpart financing in accordance with the Loan Agreement and project implementation schedule, as updated;
- (ix) recruit consulting services, procure civil works contracts, and equipment at the national level and provide guidance to PPMUs on similar activities at the provincial level;
- (x) recruit and supervise safeguard consultants for preparation of social, gender and environmental

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safeguard assessments for eligible project investments; plan with PPMUs, monitor and report to ADB on progress of Gender Action Plan and EMDP implementation on regular basis.

- (xi) monitor effectiveness of safeguard implementation procedures and also project conformity with ADB anti-corruption policies and accountability mechanism;
- (xii) analyze the measurable benefits of the capacity building and training programs to beneficiaries;
- (xiii) ensure compliance with agreed procurement plan and ADB procedures;
- (xiv) based on agreed procurement plan, forecast annual contract awards and disbursement targets and monitor quarterly achievements; and
- (xv) prepare project financial statements and arrange for annual audits thereon, synthesize PPMU's reports and prepare consolidated project progress reports including audit and project completion report.

CPMU Staff to be reviewed for Government – ADB concurrence

Project Director

Qualification: University degree in relevant subject. English language fluency is preferred or an effective arrangement for interpretation is put in place.

Experience: Project director or deputy director on at least one previous ADB financed investment project. Staff experience on at three ODA financed projects.

Responsibilities:

- (i) Overall management of the project implementation;
- (ii) Ensure adherence to the project loan agreement and covenants;
- (iii) Ensure timely delivery of inputs and reports;
- (iv) Liaison among the government stakeholders and the ADB;
- (v) Coordinate implementation between the CPMU and the provincial authorities and management units on financial and administrative issues; and
- (vi) Support the regular ADB project review missions.

Deputy Project Director – Finance and
Administration

Qualification: University degree in financial and administration management. English language ability at University level.

Experience: Project deputy director or financial staff on at least one previous ADB financed investment

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	<p>project. Staff experience on at two ODA financed projects.</p> <p>Responsibilities:</p> <ul style="list-style-type: none"> (i) Overall management of the project finances and administration; (ii) Ensure financial and auditing procedures acceptable to ADB are followed; (iii) Ensure timely delivery of financial reports; (iv) Liaison among the government stakeholders and the ADB; and, (v) Coordinate financial management between the CPMU and the provincial authorities and management units.
<p>Deputy Project Director – Technical, Procurement Management and Planning</p>	<p>Qualification: University degree in technical field. Fluent written and verbal English language ability.</p> <p>Experience: Project deputy director or technical staff on at least one previous ADB financed investment project. Staff experience on at least two ODA financed projects. Experience in procurement using ADB or any multilateral funding agency procurement/selection guidelines.</p> <p>Responsibilities:</p> <ul style="list-style-type: none"> (i) Overall management of the project progress and administration; (ii) Ensure timely delivery of progress reports; (iii) Liaison among the government stakeholders and the ADB; and, (iv) Coordinate technical management between the CPMU and the provincial authorities and management units. (v) Manage all procurement activities at the CPMU and supervise all procurement activities at the PPMUs, including: <ul style="list-style-type: none"> a) Monitoring the project procurement plan and draft any revisions needed; b) Providing guidance and training to provincial procurement staff to ensure adherence to ADB requirements. c) Assisting the PMU Director to set up and maintain an effective monitoring and recording system for procurement. d) Managing the whole procurement process for goods, works and non-consulting services and the selection and employment of project consultants according to project Procurement Plan, as approved by the authorised State agency of Viet Nam, and the Bank's

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Chief Accountant	<p>Procurement Guidelines,</p> <ul style="list-style-type: none"> e) Work with the Bank staff to make sure all the procurement processes are in line with the Bank's regulations and procedures. f) Work with other project consultants to ensure the effectiveness and efficiency of all procurement under the project. g) Manage all procurement documents and prepare reports as required by the Bank <p>Qualification: University degree in accounting and/or financial management. Must have Chief accountant certification. Fluent written English ability. Experience: Project financial staff on at least one previous ADB financed investment project. Responsibilities:</p> <ul style="list-style-type: none"> (i) Manage project finances; (ii) Prepare financial reports acceptable to ADB, and Vietnamese regulation; and (iii) Provide guidance and training to provincial financial and accounting staff. (iv) Understand all ADB and Government requirement on project financial matters. (v) Build up and instruct other staff to maintain project financial management manual/guideline.
<u>Implementation Agencies:</u> Provincial People's Committees (PPCs)	<p>Overall responsibility for subprojects management and implementation including:</p> <ul style="list-style-type: none"> (i) Approval of subproject investment reports (FS), including provincial counterpart fund allocation, and give direction on land acquisition and compensation; and, (ii) Approval of procurement plans for subprojects in their province.
Department of Agriculture and Rural Development (DARD) in each participating province	<p>DARD will be the investment owner of the subprojects. It will be responsible for approval of implementation and operational arrangements for each subproject.</p>
Provincial Project Management Units (PPMUs) in each participating province	<p>The PPMU that were established under the original loan will continue to implement the subprojects at the provincial level. The PPMUs will be responsible for overall financial management of project funds allocated to the province. In addition, the PPMU will be responsible for day to day management and coordination of subproject implementation including the:</p>

Project Implementation Organizations Management Roles and Responsibilities

- (i) recruitment and monitoring consultants to prepare Subproject Investment Reports (SIRs) in Vietnamese and English languages, detailed design documents, and tender documents, as well as those to carry out construction supervision;
- (ii) support to the national safeguard consultants (recruited by CPMU) regarding the preparation of social and environmental safeguard assessments for eligible subprojects;
- (iii) obtain from the competent agency(s) estimates of the current market price of land and non-land assets in relation to possible resettlement and land acquisition;
- (iv) facilitating approval procedures for safeguard reports (IEEs, RPs...) at provincial level;
- (v) coordinating relevant agencies to ensure full compliance with and timely compensation payments to affected people in accordance with ADB and Government resettlement policies;
- (vi) procurement and execution of civil works construction contracts;
- (vii) set up grievance redress mechanisms to address safeguards concerns and other project concerns from displaced or affected people;
- (viii) reporting to CPMU and other concerned agencies following the Government an ADB requirements; and
- (ix) Administration of the sub-accounts.

Deputy Project Director

Qualification: University degree in financial and/or administration management. Good command of English skills.

Experience: Project deputy director or financial staff on at least one previous ADB financed investment project.

Responsibilities:

- (i) Overall management of the provincial project finances and administration;
- (ii) Ensure provincial financial and auditing procedures acceptable to ADB are followed;
- (iii) Ensure timely delivery of provincial financial reports;
- (iv) Liaison among the provincial government stakeholders and the ADB; and,
- (v) Coordinate provincial financial management with the CPMU and the provincial authorities.

Chief Accountant

Qualification: University degree in accounting and/or

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Procurement Officer

financial management. Reasonable English language ability is preferred.

Experience: Project financial staff on at least one previous ADB financed investment project.

Responsibilities:

- (i) Manage provincial project finances;
- (ii) Prepare provincial financial reports acceptable to ADB; and
- (iii) Provide guidance and training to provincial financial and accounting staff.

Qualification: University degree in administration, engineering or financial management. Reasonable English language ability is preferred.

Experience: Project procurement staff on at least one previous ADB financed investment project.

Responsibilities: Manage provincial project procurement according to ADB requirements.

Subproject Areas

a. Irrigation and drainage management companies (IDMC)

IDMCs will be responsible for:

- (i) identifying key infrastructure needs within the irrigation scheme;
- (ii) providing support and guidance during the SIRs preparation and the detailed design and participating in supervision during construction;
- (iii) liaising with the Water User Organizations, Commune Peoples Committees and Commune Supervision Board;
- (iv) overall management of the irrigation scheme upon completion of the subproject, including implementation of O&M plan specified in approved SIRs.

b. Water User Organizations (WUO)

The WUOs will be responsible for the maintenance of tertiary and on farm infrastructure and cooperate with the IDMCs for the management of the irrigation schemes.

c. Commune Peoples Committees (CPC)

The CPCs will be the point of liaison for coordination with the Project. They will be responsible to ensure that local and commune interests are considered in project design and implementation. They will organize activities such as public consultations for design and implementation inputs.

d. Commune Supervision Board (CSB)

Prior to construction activities, the CSB will be established with representatives from CPC, commune women union, farmer union, fatherland front, WUO and other concerned social bodies. During

Project Implementation Organizations Management Roles and Responsibilities

	construction the CSB will follow the progress on a daily basis and ensure that local concerns are addressed. This will include ensuring the participation of local people in the employment generated by the civil works, particularly for women and ethnic minorities.
e. District Peoples Committees (DPC)	The DPCs will be responsible in: <ul style="list-style-type: none"> (i) Reviewing proposed subprojects; (ii) Coordinate community consultation in the process of preparing the subprojects; (iii) Perform clearance work locally; (iv) Coordinate implementation of training activities, training of farmers
Financier: ADB	<ul style="list-style-type: none"> (i) Provide financing for 88% of the project cost through an ADF loan in accordance with the Loan Agreements; (ii) Monitor effective operation of project implementation arrangements, disbursement, procurement, consultant selection, and reporting; (iii) Review compliance with agreed procurement procedures; (iv) Monitor effectiveness of safeguard procedures; (v) Monitor project conformity with ADB anti-corruption policies; (vi) Undertake periodic review missions; and (vii) Undertake a midterm project review jointly with the Government.

B. Key Persons Involved in Implementation

Executing Agency

MARD

International Cooperation
Department

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CPMU

Officer's Name: Nguyen Tien Dung
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ADB

Division Director

Tomoyuki Kimura
Country Director
Viet Nam Resident Mission

Mission Leader	Telephone No.: +84 4 3933 1374 Email address: tkimura@adb.org Nao Ikemoto Senior Environment Specialist Environment, Natural Resources and Agriculture, Division Telephone No.: +84 4 3933 1374 Email address: nikemoto@adb.org
Project Officer	Ho Le Phong Senior Project Officer Viet Nam Resident Mission Telephone No.: +84 4 3933 1374 Email address: holephong@adb.org

C. Project Organization Structure

1. General

13. MARD remains as the executing agency and delegates overall responsibility to its Agriculture Projects Management Board (APMB). CPMU established within the APMB under the original loan continues their responsibility of project coordination at a central level. The CPMU has been managed by a full time Project Director with management experience in similar projects and preferably is familiar with the preparation of the Project. The Project Director has been supported by two Vice Directors who have experience in the management of ODA-funded rural infrastructure projects as well as appropriate technical, administration, accounting and donor liaison staff. The Government will appoint project staff capable of using standard government accounting and financial management systems.

14. The implementing agencies will be the provincial people's committees (PPCs) of the six participating provinces. The Vice Chairperson from each PPC assigned for this Project will continue its overall responsibility for implementation coordination in their respective province. Each PPC will act through its Department of Agricultural and Rural Development (DARD), which will establish a provincial project management unit (PPMU) responsible for province-specific, day-to-day project management.

15. Provincial project management unit (PPMU) set up within DARD under the original loan in each of the six project provinces will continue its responsibility. PPMU will be led by a full-time Provincial Project Director and supported by one or two full time Vice-Directors who have experience in the preparation and implementation of ODA-funded rural infrastructure projects, one shall be responsible for finance and administration, the other for technical and planning matters. They will be supported by an adequate number of full-time staff who will be selected based upon their qualifications and experience in the implementation of similar projects. The numbers of PPMU staff will be adjusted according to the needs of the needs of the implementation progress. The PPMU will manage day-to-day Project operation and will coordinate the work of specific technical experts involved in subproject identification, design and construction supervision. The safeguard staff assigned in each PPMU will continue their responsibility.

16. At the commune levels, the PPMU will continue coordinating closely with the existing local administrations, utilizing the Commune People's Committee as the project point of liaison. PPMUs will also continue a close cooperation with commune personnel who will be responsible for ensuring coordination of day-to-day activities at the commune level between the Project and

commune authorities. These activities will include organizing public consultations and design and implementation monitoring by Commune Supervision Boards (CSB).⁷ The CSB already are supported by a regular budget from the Districts.

2. Subproject Selection

17. Based on the existing two step procedures adopted by the Project, a list of 24 subprojects was pre-screened based on the following five screening criteria: (i) address dire needs of the proposed beneficiaries; (ii) minimal land acquisition or resettlement implications, and minor environmental impacts; (iii) relatively simple designs within one continuous area that are well prepared and presented; (iv) capable of completion with a minimum of civil works contract packages; and (v) subproject cost greater than \$2 million and less than \$7 million equivalent.

18. A feasibility study or subproject investment report (SIR) will be prepared for each of the pre-screened 24 subprojects. SIRs will be prepared by local consultants under the guidance of the PPMU to ensure that subproject eligibility criteria for implementation funding will be met. This includes ensuring that all measures are taken to mitigate possible social impacts including special measures for land acquisition, compensation, indigenous people's specific actions if required, and special measures to improve the participation of women and other disadvantaged groups as beneficiaries. The following screening criteria are to be applied at the SIR stage:

- (i) The subproject is shown to be technically feasible and expected benefits have been clearly identified. In addition, the subproject is shown to have an EIRR of return in excess of 12% although this should not exclude those subprojects with more significant social and poverty impacts.
- (ii) The selected subproject will be cost effective as measured by the unit cost per beneficiary, with priority being given to those with the least cost per beneficiary while providing the greatest benefit in terms of the estimated EIRR.
- (iii) Procurement packages have been clearly identified, as have the method of procurement; cost estimates have been clearly identified and recorded and all sources of funding have been identified, agreed, and confirmed.
- (iv) The SIR contains a detailed financing plan for O&M. This requires that an O&M entity shall be specified and both a budget amount and corresponding source of funding specified and agreed upon by the provincial people's committee and other concerned parties to ensure that the overall project investments will be financially viable and sustainable.
- (v) Public consultation on the subproject proposal has been held in concerned communes and measures for future public consultation at all stages of implementation are clearly defined.
- (vi) The subproject is shown to have no major negative environmental or social impacts and mitigation measures have been defined for minor impacts.
- (vii) The subproject is shown to have no significant resettlement impacts and, where needed, a resettlement plan has been prepared in accordance with the resettlement framework and the relevant regulations of the Government of Viet Nam and ADB policy.

19. Funding should be allocated on a first come first served basis. In the event that only limited funds remain and several subprojects submitted cannot all be funded, then selection

⁷ The CSBs will include at least one women's representative.

among such subprojects will be prioritized based on the following criteria, considered in the following order: (i) an Economic Internal Rate of Return (EIRR) must be at least 12% as per ADB's Guidelines for the Economic Analysis of Projects.; (ii) a subproject areas with a higher poverty concentration will be preferred, and (iii) a subproject area with a higher concentration of ethnic minority people will be preferred.

20. ADB prior review for each SIR for the completed subprojects be increased to \$2 million for the individual SIRs to be financed during the additional financing period.

3. Subproject Implementation Procedures

21. Implementation will follow the steps developed by the Project. Those steps include:

- (i) Preparation of feasibility and safeguard studies including resettlement plans, environmental impact assessment, gender action plans and indigenous people's plans as required ;
- (ii) Review and approval of the feasibility studies;
- (iii) Preparation of detailed engineering designs;
- (iv) Tendering for civil works;
- (v) Construction, including technical and safeguard supervision and monitoring;
- (vi) Commissioning, training and handover; and,
- (vii) Operation, maintenance and monitoring.

22. Within this process feasibility studies will be prepared by consultants recruited by the PPMUs. They shall be responsible for the technical aspects of the feasibility studies including the economic and financial analysis. National safeguards consultants shall be recruited by the CPMU. They shall be responsible for preparing the IEEs as required and where appropriate EMPs, RPs, and Ethnic Minority Development Plans (EMDPs). This will ensure that appropriate measures to mitigate any negative social impacts including special measures for land acquisition, compensation, indigenous people's specific actions if required, and special measures to improve the participation of women and other disadvantaged groups as beneficiaries are taken.

23. The CPMU upon completion of the feasibility studies (FS), shall engage technical specialists under the Loan Implementation Consultants (LIC) contract to review the FS to ensure that: (i) appropriate technical standards are incorporated in the design and that costs norms to be applied reflect realistic market estimates; and (ii) ADB's and the Government's social and environmental safeguards requirements are duly addressed. This review process will be coordinated by the CPMU and subsequently, once the technical and safeguard standards have been confirmed by the LIC, the CPMU will inform DARD of the feasibility studies' acceptance. DARD will then submit the accepted feasibility studies to the PPC for approval. ADB may review feasibility studies and associated documents on request. Ultimate responsibility for FS compliance rests with the EA.

4. Capacity Building Initiatives

24. The Project trained the government staff at the CPMU and PPMU levels and community supervision board and increased their technical capacity. Capacity building initiative under Phase 2 of the Project will focus on: (i) financial management trainings for PPMUs; (ii) procurement training for PPMUs; (iii) community supervision for communities in the subproject areas; and (iv) technical training for the target farmers to increase their production and

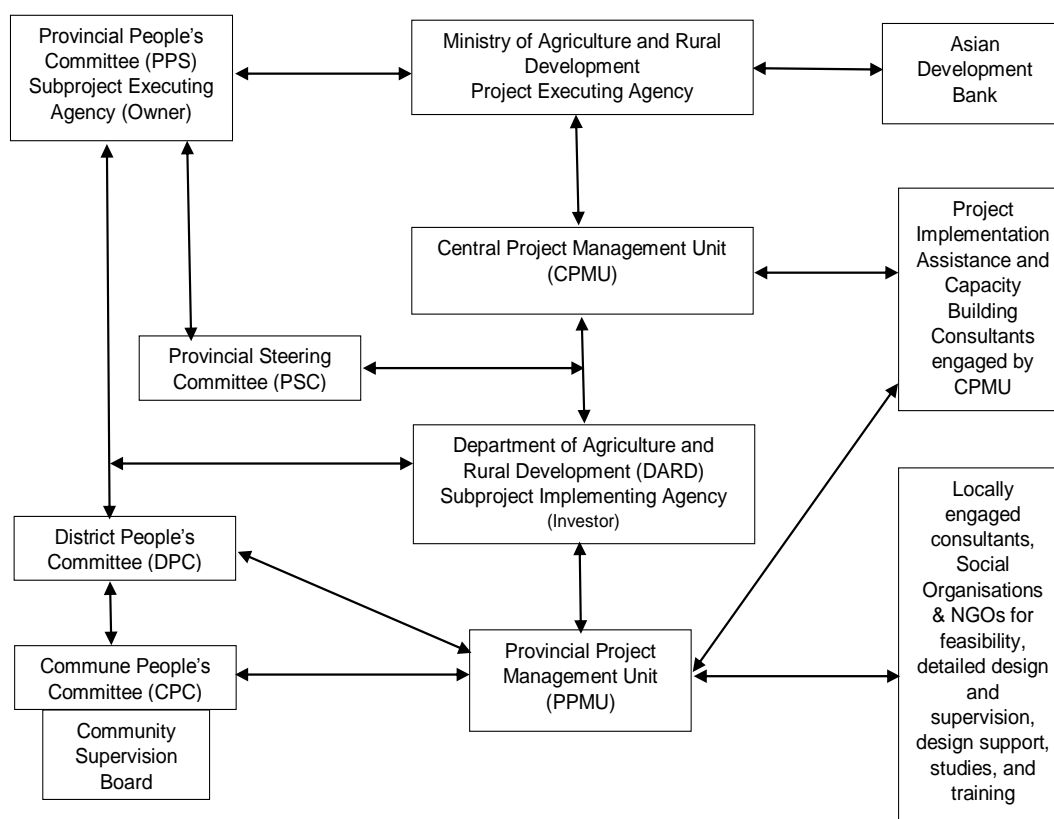
diversification. CPMU will work closely with the ADB VRM to develop detail training on the financial and procurement management. Scope of technical training for farmers will be identified in each SIR based on the following criteria: (i) potential increase in overall annual production; (ii) likely increase in yields; and (iii) likely crop diversification. Based on the training needs and approaches identified, CPMU will allocate appropriate level of budget to be included in the SIR.

5. GAP Implementation Arrangement

25. CPMU and PPMUs will be responsible for implementation of GAP and will appoint Safeguards Officers with responsibility as gender focal points ensuring annual planning, implementation and M&E of the GAP. The CPMU will recruit national consultants to provide technical assistance to CPMU and PPMUs in implementation and M&E and reporting of GAP and related DMF targets. They will support PPMUs in preparing GAPs. The PPMUs will work with the relevant provincial, district and commune agencies (Vietnam Women's Union, Agriculture extension agencies, Committee for Ethnic Minority Affairs and NGOs, etc) to implement and coordinate training, capacity building and HIV/AIDS awareness raising.

26. Implementation of the GAP will be overseen by MARD's project steering committee. Budget for GAP implementation will include part of training budgets for capacity building and gender sensitization activities at provincial, district and commune level and budget for gender consultants in the consultancy package.

Figure 1: Project Organization Chart



NGO = nongovernment organization

IV. COSTS AND FINANCING

27. The Additional Financing phase of the Project is estimated to cost \$92.5 million. The government has requested a loan not exceeding \$85.0 million from ADB's Asian Development Fund. The government will provide \$7.5 million equivalent.

28. Data for the proposed investment has been collected and analyzed during the SSTA based on existing market rates at mid-2014 prices.

A. Detailed Cost Estimates by Expenditure Category

	(Local Million)			(US\$ '000)			% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total	
I. Investment Costs							
A. Civil Works	1,183,570	131,508	1,315,078	56,360	6,262	65,000	83
B. Equipment	400	400	800	19	19	38	0
C. Consultancy Services							
Loan Implementation Consultancy	15,923	21,000	36,923	758	1,000	1,758	2
Other Services	17,838	-	17,838	849	-	849	1
D. Training	37,427	-	37,427	1,782	-	1,782	2
E. CPMU Management Costs	15,667	-	15,667	746	-	746	1
F. Subproject Preparation & Management Costs							
PPMU Management Costs	32,761	-	32,761	1,560	-	1,560	2
Subproject Studies & Design	65,521	-	65,521	3,120	-	3,120	4
Construction Supervision /a	26,303	-	26,303	1,253	-	1,253	2
Safeguards & Community Participation	2,515	-	2,515	120	-	120	0
Compensation & Land Acquisition	39,186	-	39,186	1,866	-	1,866	2.4
Subtotal	1,437,111	152,908	1,590,019	68,434	7,281	78,092	99
G. Infrastructure O&M /b	10,248	-	10,248	488	-	488	1
Total BASELINE COSTS	1,447,359	152,908	1,600,267	68,922	7,281	78,580	100
Physical Contingencies	108,546	13,171	121,717	5,169	627	5,796	7
Price Contingencies	92,699	10,475	103,174	4,414	499	4,913	6
Total PROJECT COSTS	1,648,604	176,554	1,825,158	78,505	8,407	89,290	114
Interest During Implementation	-	67,410	67,410	-	3,210	3,210	4
Total Costs to be Financed	1,648,604	243,964	1,892,568	78,505	11,617	92,500	118

\a At 2% of civil works

\b Estimated at 3% of civil works per year from the year following completion of construction.

B. Allocation and Withdrawal of Loan Proceeds

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS				
Integrated Rural Development Sector Project in the Central Provinces - Additional Financing to Loan 2357				
Category			ADB FINANCING***	
Number	Item	Total Amount Allocated for ADB Financing (SDR)		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Civil Works	42,078,000		100% of total expenditure claimed
2	Equipment	25,000		100% of total expenditure claimed
3	Consultancy Services	1,536,000		91% of total expenditure claimed
4	Training	1,038,000		90% of total expenditure claimed
5	CPMU Management Costs**	459,000		95% of total expenditure claimed
6	Subproject Preparation & Management	878,000		
6a	PPMU Management Costs**		808,000	80% of total expenditure claimed
6b	Safeguards & Community Participation		70,000	91% of total expenditure claimed
7	Interest during implementation	2,078,000		100% of total amount due
8	Unallocated	6,932,000		
	Total	55,024,000		

** Including salaries, allowance for project contracted staff and seconded staff and office operation costs at the CPMU and PPMUs, but excluding any salaries/remunerations other than travel costs and DSA for the government paid officials who work for the Project.

PPMU management costs will be allocated based on Loan Agreement allocation

*** The ADB ADF loan may finance bank charges, transportation and insurance costs.

C. Detailed Cost Estimates by Financier

(US\$ '000)							
Asian Development Bank/e			The Government/f				Total Costs
Amount	%	Amount (Costs)	Amount (Taxes and duties)	Amount (Total)	Financing % of Cost Category		
I. Investment Costs							
A. Civil Works	65,000	100%	-	0.0	-	0%	65,000
B. Equipment	38	100%	-	0.0	-	0%	38
C. Consultancy Services							
Loan Implementation Consultancy	1,600	91%	-	158.2	158	9%	1,758
Other Services	773	91%	-	76.5	76	9%	849
D. Training	1,604	90%	178	0.0	178	10%	1,782
E. CPMU Management Costs	709	95%	37	0.0	37	5%	746
F. Subproject Preparation & Management Costs							
PPMU Management Costs /a	1,248	80%	312	0.0	312	20%	1,560
Subproject Studies & Design	-	0%	2,808	312.0	3,120	100%	3,120
Construction Supervision /b	-	0%	1,127	125.3	1,253	100%	1,253
Safeguards & Community Participation	109	91%	-	10.8	11	9%	120
Compensation & Land Acquisition/c		0%	1,866	0.0	1,866	100%	1,866
Subtotal	71,081	91%	6,329	682.8	7,012	9%	78,092
G. Infrastructure O&M /d		0%	488	-	488	100%	488
Total BASE COSTS	71,081	90%	6,817	682.8	7,500		78,580
Physical Contingencies	5,796	100%	-	0.0	-		5,796
Price Contingencies	4,913	100%	-	0.0	-		4,913
Interest During Implementation	3,210	100%	-	0.0	-	0%	3,210
Total PROJECT COSTS	85,000	92%	6,817	682.8	7,500	8%	92,500

\a Including salaries, allowance for project contracted staff and seconded staff and office operation costs at the CPMU and PPMUs, but excluding any salaries/remunerations other than travel costs and DSA for the government paid officials who work for the Project. PPMU management costs will be allocated based on Loan Agreement allocation

\b At 2% of civil works

\c This item will be disbursed based on actual resettlement plan for each subproject. Receipts by affected households will be required to substantiate actual expenses.

\d Estimated at 3% of civil works per year from the year following completion of construction.

\e The ADB ADF loan may finance bank charges, transportation and insurance costs.

\f Government will provide cash contribution to finance taxes and duties.

D. Detailed Cost Estimates by Outputs/Components

(US\$ '000)							
	Rural			Central			
	Infrastructure	% of cost	Capacity	% of cost	Project	% of cost	
Total	Development	category	Building	category	Management	category	
I. Investment Costs							
A. Civil Works	65,000	65,000	100%	-	-	-	-
B. Equipment	38		0%	-	-	38	100%
C. Consultancy Services							
Loan Implementation Consultancy	1,758	422	24%	-	-	1,336	76%
Other Services	849	183	22%	-	-	666	78%
D. Training	1,782		0%	1,782	100%	-	-
E. CPMU Management Costs	746		0%	-	-	746	-
F. Subproject Preparation & Management Costs							
PPMU Management Costs	1,560	1,560	100%	-	-	-	-
Subproject Studies & Design	3,120	3,120	100%	-	-	-	-
Construction Supervision /a	1,253	1,253	100%	-	-	-	-
Safeguards & Community Participation	120	120	100%	-	-	-	-
Compensation & Land Acquisition	1,866	1,866	100%	-	-	-	-
Subtotal	78,092	73,524	94%	1,782	-	2,787	0%
G. Infrastructure O&M /b	488	488	100%	-	-	-	0%
Total BASE COSTS	78,580	74,012	94%	1,782	2%	2,787	4%
Physical Contingencies	5,796	5,448	94%	290	5%	58	1%
Price Contingencies	4,913	4,631	94%	196	4%	85	2%
Interest During Implementation	3,210	3,082	96%	64	2%	64	2%
Total PROJECT COSTS	92,500	87,173	94%	2,333	3%	2,994	3%

^a In mid-2014 prices for the Additional Amount

^b Physical contingencies computed at 10% on civil works and consultancy and 5% for all other expense categories.

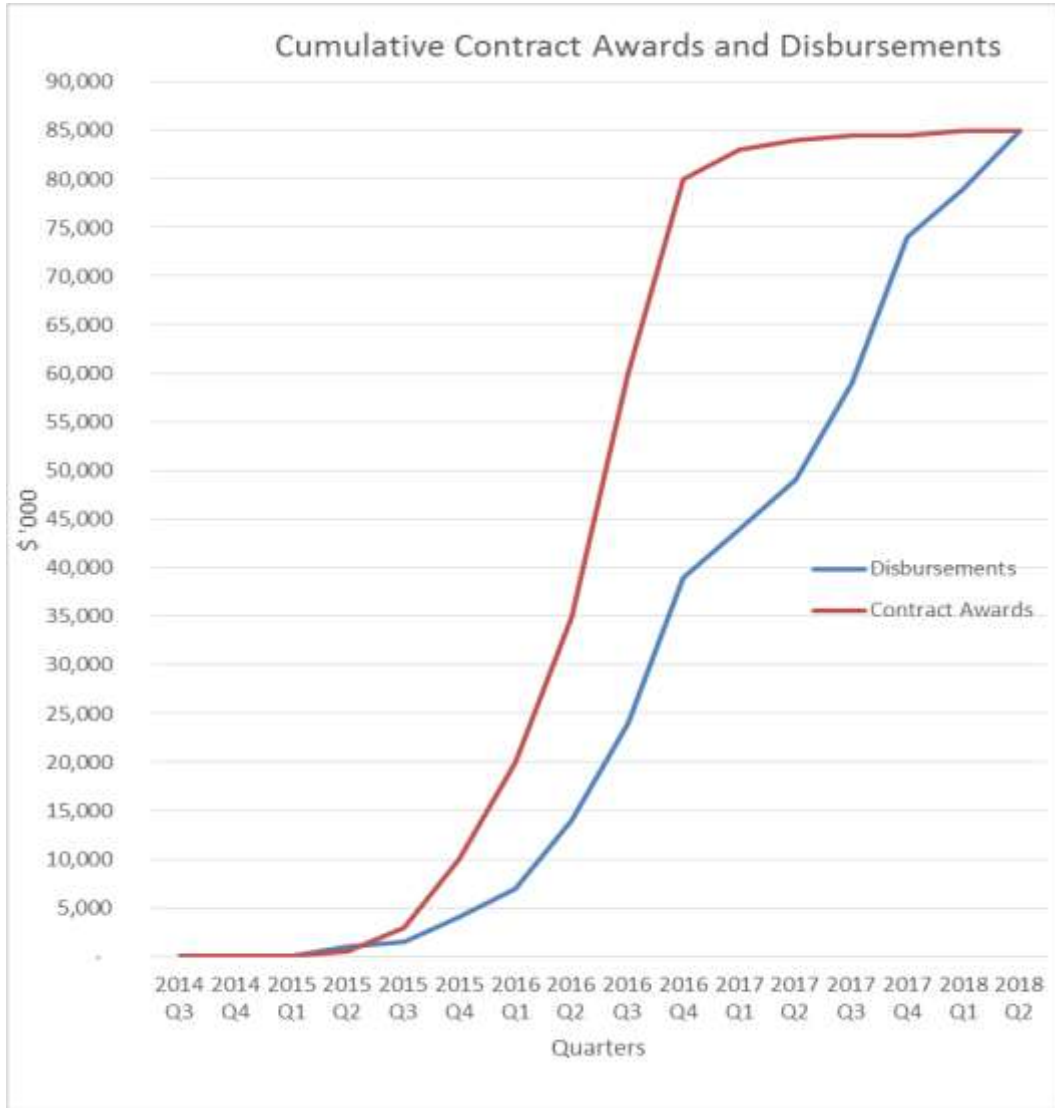
^c Price contingencies computed at 1.6% on foreign exchange costs up to project start and then at 1.1%, 1.4% and 1.4% for the three project years, and at 6.2% on local currency costs up to project start and then at 6.6%, 6.0% and 6.0% for the three project years; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Interest during construction for ADF loan(s) has been computed at 2% per year.

E. Detailed Cost Estimates by Year

	(US\$ '000)				
	Total	Base Cost			
		2015	2016	2017	2018
I. Investment Costs					
A. Civil Works	65,000		13,046	31,311	18,265
B. Equipment	38	38	1	-	-
C. Consultancy Services					
Loan Implementation Consultancy	1,758	440	440	440	440
Other Services	849	212	212	212	212
D. Training	1,782	750	344	344	344
E. CPMU Management Costs	746	187	187	187	187
F. Subproject Preparation & Management Costs					
PPMU Management Costs	1,560	390	390	390	390
Subproject Studies & Design	3,120	1,300	1,820	-	-
Construction Supervision /a	1,253	-	261	626	365
Safeguards & Community Participation	120	50	70	-	-
Compensation & Land Acquisition	1,866	360	900	900	-
Subtotal	78,092	3,727	17,671	34,410	20,203
G. Infrastructure O&M /b	488	-	-	764	1,401
Total BASE COSTS	78,580	3,727	17,671	35,174	21,604
Physical Contingencies	5,796	175	1,553	1,554	2,514
Price Contingencies	4,913	106	993	197	3,618
Interest During Implementation	3,210	10	132	120	2,948
Total PROJECT COSTS	92,500	4,018	20,348	37,045	30,683

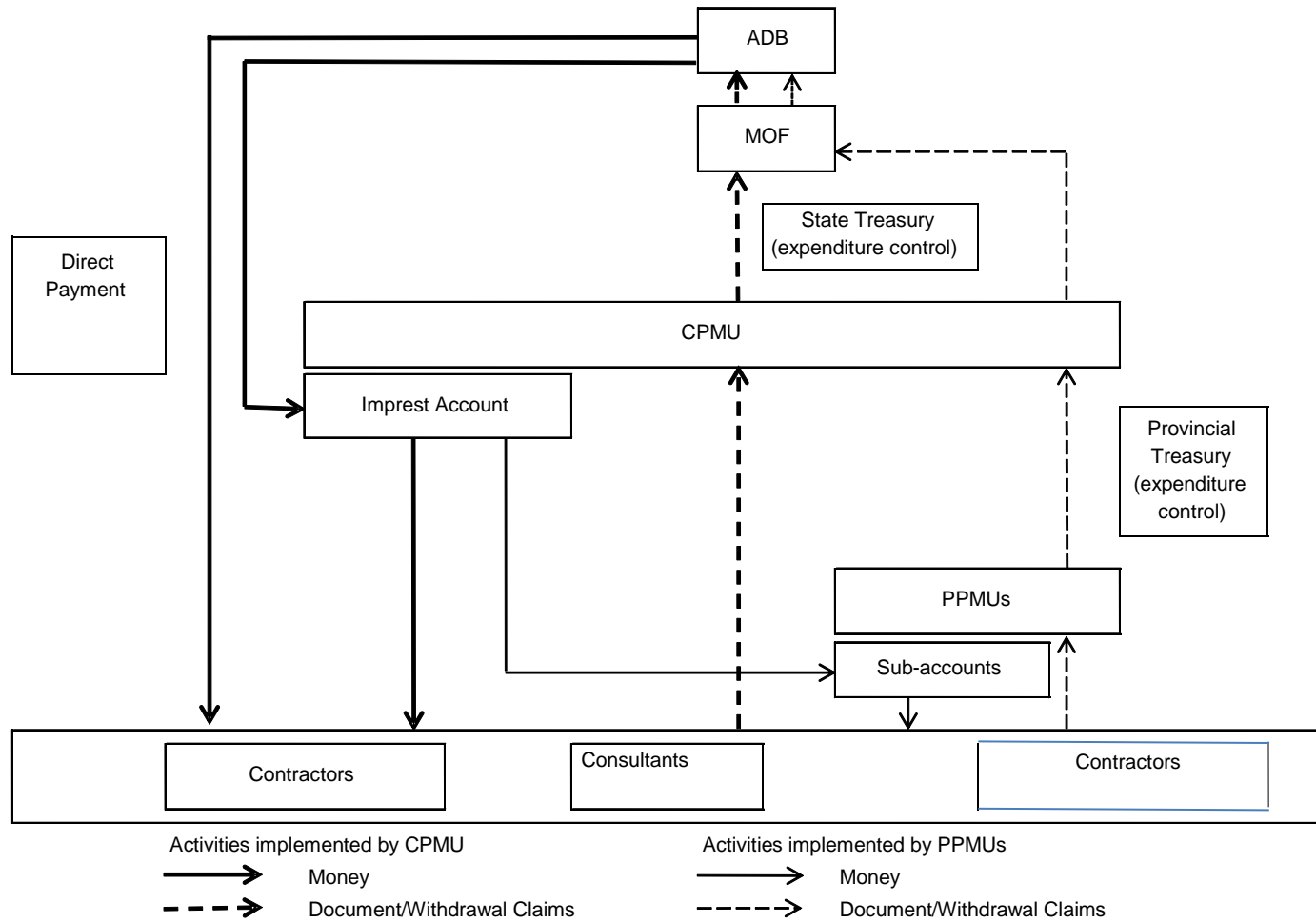
F. Contract and Disbursement S-curve



Year	Contract Awards (\$'000)				Disbursement (\$ '000)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2014								0
2015	0	500	2,500	7,000		1,000	500	2,500
2016	10,000	15,000	25,000	20,000	3,000	7,000	10,000	15,000
2017	3,000	1,000	500		5,000	5,000	10,000	15,000
2018	500				5,000	6,000		

G. Fund Flow Diagram

LOAN FUNDS DISBURSEMENT ARRANGEMENTS



V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

29. The financial management arrangements for the additional financing phase of the Project will be the same as for the original loan. To date the Project has been implemented without any major financial management issues. Financial audit for the Project was conducted in 2008, 2009, 2010, 2011 and 2012 and confirmed no major issues. A financial management assessment was conducted as part of the preparation of the additional financing for the Project and indicated some weak financial management capacity of the PPMUs in Binh Dinh, Ninh Thuan and Binh Thuan provinces. The PPMUs in these three provinces agreed to assign additional staff to ensure that their financial management units comprise at least one chief accountant, one accountant and one cashier to strengthen their internal control in financial management. CPMU will receive the additional training from ADB in order to provide financial management trainings to all participating PPMUs prior to the ADB board approval to further.

B. Disbursement

30. The Loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time),⁸ and detailed arrangements agreed upon between the Government and ADB. Except as ADB may otherwise agree, one imprest account will be opened immediately after the effective date at a commercial bank acceptable to SBV and ADB, to be managed by the CPMU. Six sub-accounts are expected to be established at commercial banks acceptable to SBV and ADB for each PPMU within one month of the establishment of the CPMU imprest account. The IA and sub accounts should be opened in the same commercial banks. The EA is accountable and responsible for proper use of advances to the imprest account, including advances to the sub-accounts.

31. The imprest account shall be established, managed, replenished and liquidated in accordance with the *ADB Loan Disbursement Handbook* (2012, as amended from time to time) and detailed arrangements agreed upon between the Government and ADB. The imprest account shall only be used for the intended purposes of the Project. The CPMU activities will be funded directly from the imprest account. The PPMU activities will be funded directly from the sub-accounts. Direct payment by ADB may be used, if considered desirable, for payments for procurement of goods, civil works and consulting services.

32. The EA may request for initial and additional advances to the imprest account based on an Estimate of Expenditure Sheet⁹ setting out the estimated expenditures to be financed through the account for the forthcoming six (6) months. Supporting documents should be submitted to ADB or retained by the EA in accordance with ADB's *Loan Disbursement Handbook* when liquidating or replenishing the imprest account.

33. The currency of the imprest account shall be US dollars while the currency for the sub-accounts will be in Vietnamese Dong. The aggregate amount to be deposited into the CPMU's imprest account shall not exceed 10% of the loan amount.

⁸ Available at: <http://www.adb.org/documents/loan-disbursement-handbook>.

⁹ Available in Appendix 10B of the *Loan Disbursement Handbook*.

34. The statement of expenditures (SOE) procedure may be used to reimburse eligible expenditures and to liquidate advances provided in accordance with the ADB's *Loan Disbursement Handbook* (2012, as amended from time to time) and detailed arrangements agreed upon between the Borrower and ADB.¹⁰ Any individual payment to be reimbursed or liquidated under the SOE procedures shall not exceed the equivalent of \$100,000. Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit. Reimbursement and liquidation of individual payments in excess of the SOE ceiling should be supported by full documentation when submitting the withdrawal application to ADB.

35. Payments made directly from CPMU and PPMUs will be certified by the Treasury (at central and provincial levels respectively) upon receipt of payment documents. Based on the payments that have been authorized by the provincial treasury, each PPMU will prepare requests for payment with associated payment documents/statements and the sub-account reconciliation sheet and submit these to the CPMU as per ADB requirements (2012, ADB Loan Disbursement Handbook). Upon receipt of applications and payment documents from PPMUs, the CPMU will prepare an aggregated withdrawal application and submit to the MOF for endorsement. Authorized withdrawal applications will be forwarded to ADB for processing and for replenishment to the imprest account.

36. Before the submission of the first withdrawal application, the borrower shall submit through SBV 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 equivalent, unless otherwise approved by ADB. Individual payments below this amount should generally be paid from the imprest/sub-account, or by the EA/IA and subsequently claimed to ADB through reimbursement. ADB reserves the right not to accept Was below the minimum amount.

C. Accounting

37. The financing units are established in the CPMU, and each PPMU involved in Project implementation will maintain the project financial records and financial statements that identify goods and services from loan proceeds, financing resources received, expenditures incurred, and use of government counterpart funds. These project financial records and statements will be prepared and maintained in conformity to the Government's accounting laws and regulations and in accordance with sound accounting principles and standards acceptable to ADB.

38. The CPMU will be responsible for: (i) preparing disbursement projections, (ii) requesting budgetary allocations for counterpart funds, (iii) collecting supporting documents, (iv) collecting and verifying replenishment requests from the PPMUs (for the CPMU), (v) preparing financial statements, and (vi) preparing and sending withdrawal applications to ADB.

39. The CPMU Director and the Chief Accountant will be responsible and accountable to the Government of Viet Nam and ADB for managing the budget and for all expenditures related to the Project in accordance with the conditions of the Loan Agreement, Government and ADB regulations, and other legal documents.

¹⁰ Available in Appendix 9B of the *Loan Disbursement Handbook*.

40. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS),¹¹ 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.

D. Auditing

41. The CPMU will cause the consolidated project financial statements to be prepared and audited in accordance with IAS-International Auditing Standards acceptable to ADB by an independent auditor acceptable to ADB. The audited project financial statements will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the executing agency. The CPMU will be responsible to hire the independent auditor.

42. The independent auditor will provide an audit management letter and auditor's opinions which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether loan and grant proceeds were used only for the purposes of the project or not; (iii) the level of compliance for each financial covenant contained in the legal agreements for the project; (iv) compliance with the imprest fund procedure; and (v) compliance with use of the SOE procedure certifying (a) to the eligibility of those expenditures claimed under SOE procedures, and (b) proper use of the procedure in accordance with ADB's Loan Disbursement Handbook (2012, as amended from time to time) and the project documents.

43. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal project supervision, and followed up regularly with all concerned, including the external auditor.

44. The government and the CPMU have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements¹². ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower/grantee), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

- (i) When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (i) the audit documents are overdue; and (ii) if they are not received within the next six months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- (ii) When audited project financial statements have not been received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (i) inform the executing agency of ADB's actions; and (ii) advise that the loan may be suspended if the audit documents are not received within the next six months.

¹¹ Available at: <http://www.adb.org/documents/safeguard-policy-statement>.

¹² ADB Policy on delayed submission of audited project financial statements

- (iii) When audited project financial statements have not been received within 12 months after the due date, ADB may suspend the loan.

45. The audited financial statements and management letters, and related financial statements will be submitted to ADB in the English language not later than 6 months after the end of the fiscal year to which they relate, or the Project closing date if earlier. ADB informed the Government of its policy on submission of audited accounts (covering failure of submitting audited accounts and financial statements by the due date). Formal warning will be issued, and disbursements may be suspended, for accounts more than 6 months overdue. ADB reserves the right to verify the Project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

46. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011).¹³ After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website. The Audit Management Letter will not be disclosed.

VI. Procurement and Consulting Services

A. Procurement of Goods, Works and Consulting Services

47. All procurement of goods and works will be undertaken in accordance with ADB's *Procurement Guidelines (2013 as amended from time to time)*.

48. National competitive bidding (NCB) will be used for civil works contracts below \$5.0 million and for supply contracts for procurement of goods below \$500,000. Shopping will be used for contracts for procurement of works and goods worth \$100,000 and below.

49. 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*.

50. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Section C. The procurement plan will be updated annually and as required.

51. All consultants will be recruited according to ADB's *Guidelines on the Use of Consultants (March 2013 as amended from time to time)*.¹⁴ The terms of reference for all consulting services are detailed in Section D.

52. Consulting services to be financed with the additional financing includes recruitment of (i) Loan Implementation Consultant (LIC), (ii) baseline and end-line surveys consultant, (iii) financial audit, and (iv) subproject completion audit. CPMU will be responsible for recruiting a baseline and end-line surveys consultant (FBS) and financial audit (FBS). Consulting services for feasibility studies, detailed design and construction supervision consultant will be financed by

¹³Available from: <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

¹⁴ Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>

the counterpart fund and the Government's procurement procedures will be applied for recruitment of these consultants. To advance the preparation of the SIRs and detailed design, loan savings (about \$1.6 million as of 28 August 2013) will be used for the existing contract of Loan Implementation Consultant (LIC) to extend its engagement and expand its TORs to include the additional experts to assist PPMUs and CPMU to prepare each subproject.

53. To increase the procurement capacity and efficiency following the measures will be adopted: (i) numbers of packages and lots for the civil works to the extent possible; introducing the one-stage, one-envelope procedure to increase financial competition; and (iii) assigning addition procurement staff from PPMUs and DARDs during the bid preparation and evaluation stage; and (iv) providing procurement training by VRM to update the CPMU and PPMUs' knowledge on the revised procurement procedures.

54. On eligibility, national sanction lists may only be applied with the approval of ADB.¹⁵ A firm declared ineligible by ADB cannot participate in bidding for an ADB financed contract during the period of time determined by ADB. The CPMU/PPMUs shall carry out assessments of SOE eligibility during the evaluation of expressions of interest. This will be done regardless of the selection method used, and will include eligibility assessments as part of the recommendations for the shortlisted firms. The CPMU shall validate the assessment done by the PPMUs.

B. Procurement Plan

55. Procurement Risks Under L2357(VIE) and Proposed Risk Mitigation Measures for Additional Financing

1. Background

56. In connection with processing Additional Financing for Integrated Rural Development Sector Project in Central Provinces, ADB undertook a comprehensive review of civil works procurement conducted under the Project. ADB's review focused primarily on procurement activities executed by 6 of the 13 PPMUs that are proposed for implementation of the Additional Financing. A total of 75 bid evaluation reports (BERs) prepared by the following PPMUs were reviewed: Phu Yen (9 BERs), Ha Tinh (19 BERs), Binh Dinh (19 BERs), Ninh Thuan (8 BERs), Binh Thuan (8 BERs) and Thua Thien Hue (12 BERs). Below is a summary of risk factors identified during the review and proposed risk mitigation measures to improve quality and speed of civil works procurement to be conducted under Additional Financing.

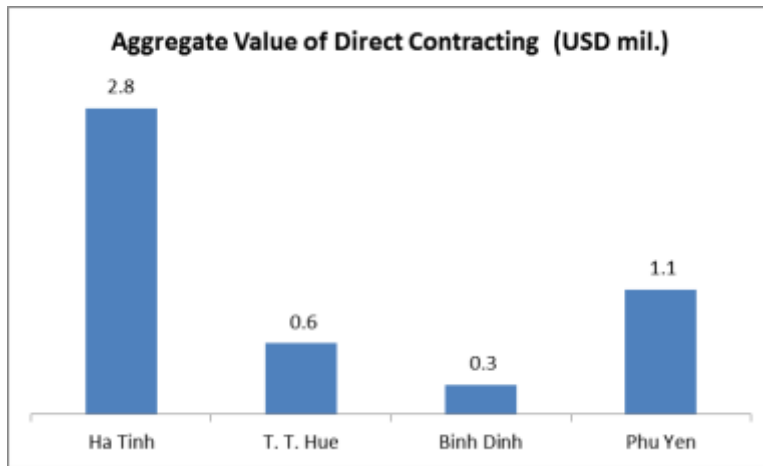
2. Key Risk Factors and Proposed Mitigation Measures

a. Risk Factor #1: Significant Usage of Direct Contracting

57. While the original procurement plan for the Project did not contemplate direct contracting, it was agreed between VRM and certain PPMUs during the course of implementation to use direct contracting for certain contracts. Total value of civil works contracts procured by all 13 PPMUs using direct contracting equaled \$15.5 million (or 12% of total civil works procurement). As shown below, 4 of the 6 provinces proposed to be covered under

¹⁵ The Sanctions section of the Integrity Principles and Guidelines allows ADB to sanction parties who fail to meet ADB's high ethical standards based on the decisions of third parties, such a decision can only be made by the Integrity Oversight Committee on the basis of ADB's own independent examination of the evidence. As such, the process should follow the normal assessment and investigative processes prescribed by the Integrity Principles and Guidelines. <http://www.adb.org/sites/default/files/integrity-principle-guidelines.pdf>

Additional Financing also awarded contracts through direct contracting. In Ha Tinh and Phu Yen, procurement through direct contracting accounted for 25% and 15%, respectively, of the total civil works procurement.

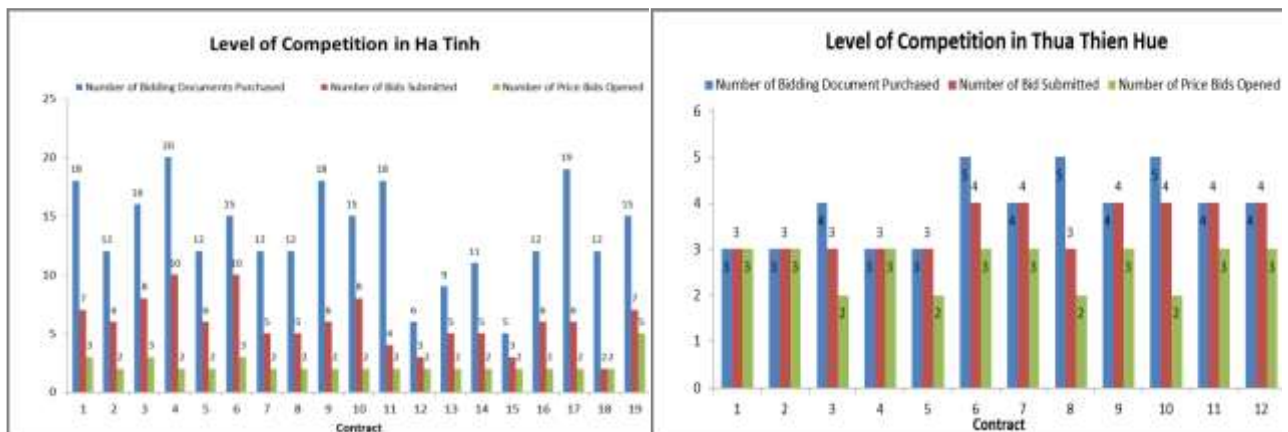


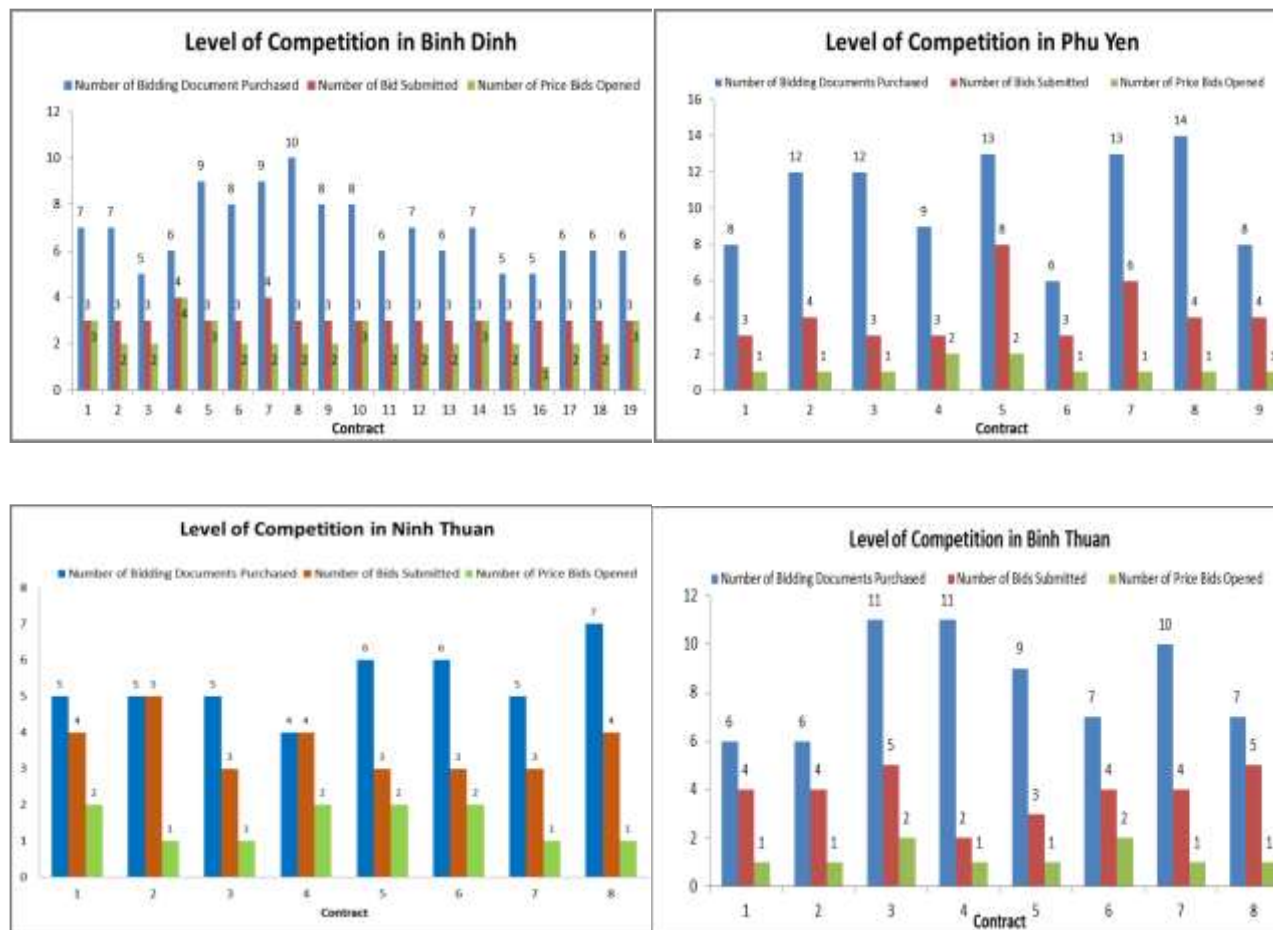
Proposed Risk Mitigation Measure:

- All civil works packages under Additional Financing should be tendered competitively.

b. Risk Factor #2: Limited price competition

58. In cases where 6 PPMUs proposed under Additional Financing used national competitive bidding to procure civil works, deviations of the final contract amount from engineer’s estimate or contract award price were typically less than 10%. But bidding data from the 6 selected provinces indicates that usage of single-stage two-envelope bidding procedure resulted in reduction of price competition for civil works contracts. Graphs below show a clear pattern whereby, regardless of total number of bids submitted, the 6 PPMUs only recommended one to three bids as technically responsive following which price bids were opened.





Proposed Risk Mitigation Measures:

- Single-stage single-envelope bidding procedure should be used for Additional Financing because it increases transparency and price competition by making it difficult to reject bids based on minor deviations. Use of such procedure will also accelerate speed of implementation.
- To further expand competition, CPMU should organize business outreach events in Quang Tri, Da Nang and Lam Dong by (i) notifying construction industry about pipeline of contracts under Additional Financing, (ii) providing tips to prospective bidders on preparing compliant bids and (iii) reassuring prospective bidders of mechanisms in place to ensure procurement is conducted by 6 selected PPMUs in a fair and transparent manner.

c. Risk Factor #3: Elevated risk of collusion

59. Unusual bidding patterns suggest that certain provinces may be vulnerable to collusive activity. For instance, exactly 3 bids were submitted across 17 out of a total of 19 tenders in Binh Dinh. Also, in case of 12 tenders run by Thua Thien Hue, almost all prospective bidders who purchased bidding documents also submitted bids. Only 12 contractors participated in 12 tenders. As shown in table below, 8 out of the 12 participating contractors won contracts either as a single entity or JV.

No.	Name of Contractor	Origin	Contracts awarded as single entity	Contracts awarded through JV
1	Thong Linh Ltd.	T. T. Hue	1	1
2	Hung Hau Ltd.	T. T. Hue	1	None
3	Thanh Dat JSC.	T. T. Hue	None	1
4	Tuan Hung Ltd.	T. T. Hue	None	2
5	Thua Thien Hue Transport Construction JSC.	T. T. Hue	1	None
6	Long Phung Forestry Enterprise	T. T. Hue	3	1
7	An Bao Construction JSC.	T. T. Hue	None	1
8	Giang Son Ltd.	T. T. Hue	None	2

As shown in table below, 4 contractors submitted bids but failed to win any contracts either as a single entity or as a JV.

No.	Name of Contractor	Origin	Number of bids submitted as single entity	Number of bids submitted as JV
1	Thua Thien Hue Construction Mechanics JSC.	T. T. Hue	3	None
2	1.5 JSC.	T. T. Hue	3	None
3	Thua Thien Hue Construction and Road Management JSC.	T. T. Hue	2	None
4	VIWASEEN	Ha Noi	1	None

Given that the number of contracts to be procured and number of participating contractors is roughly the same in Thua Thien Hue, the risk of collusion appears to be high

Proposed Risk Mitigation Measures:

- Prior review of procurement documents should be extended to first 3 civil works packages for Thua Thien Hue
- Expand competition through business outreach events as discussed above.

d. Risk Factor #4: Defective bid evaluation reports

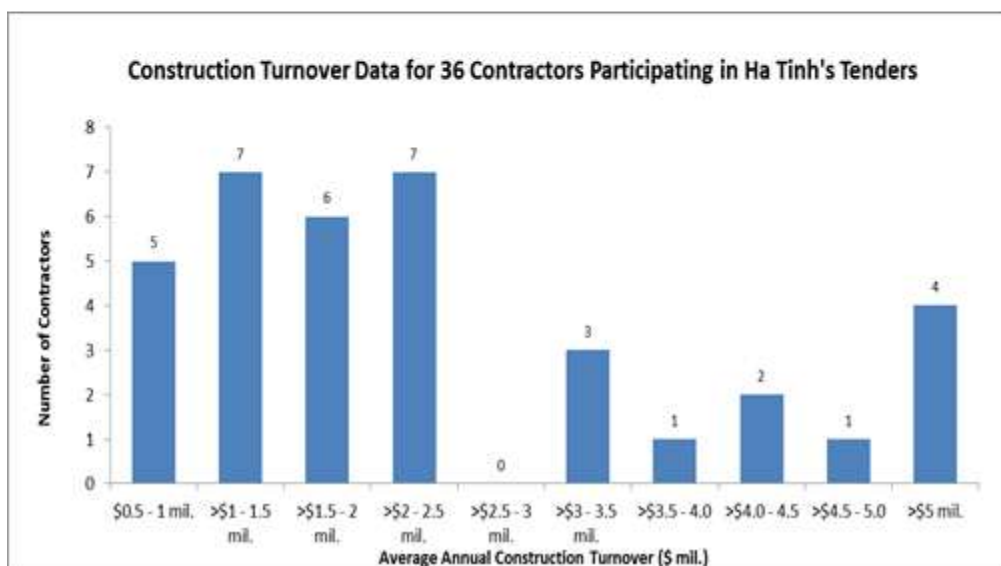
60. BERs for civil works tenders prepared by the 6 selected PPMUs contained significant errors including:
- Bids were rejected due to minor deviations including defective personnel and equipment proposals and for failure to submit supporting documentation (often not explicitly requested in the bidding document) related to qualification criteria.
 - BERs omitted key sections documenting compliance with qualification criteria (including eligibility assessment of state owned enterprises).
 - Some times PPMUs arbitrarily determined that certain proposed construction methods were deficient requiring bid rejection.
 - When in doubt about certain aspects of a bid, PPMUs typically moved towards bid rejection without seeking clarifications. For example, PPMU from Ha Tinh never requested any clarifications from bidders across 19 procurement exercises.
 - In the case of Ha Tinh, bids were loaded in many instances using an incomprehensible and non-transparent methodology. Moreover, such loadings sometimes led to a change in bidder ranking and the loaded (higher) price was used to sign the contract.

Proposed Risk Mitigation Measures:

- Tailored capacity building program is recommended to help CPMU and 6 selected PPMUs understand sound bid evaluation techniques
- Material weaknesses in Ha Tinh PPMU's bid evaluation performance require that prior review of such PPMU's procurement documents be extended to first 3 civil works packages

e. Risk Factor #5: Proliferation of small packages

61. It appears that tendering by certain provinces of small packages was difficult to justify either on technical or contractor capacity grounds. Even though many BERs failed to record key details on bidders' financial capacity or prior experience, it is quite likely that lot sizes could have been raised without limiting competition. For instance, average contract size in Ha Tinh was approximately \$415,000 as shown below but many of the participating contractors (i.e., those for whom BERs record relevant data) seem to have average annual construction turnover exceeding \$1 million.



62. Splitting into small packages not only increased the administrative burden for the PPMUs but could have also resulted in reduction in competition as only small (often financially weak) provincial contractors had the incentive to participate. It is worth noting here that the risk of collusion increases when only local contractors based in a certain province are likely to participate in tenders run by that province.

63. Available evidence indicates that larger contract sizes are likely to attract out-of-province contractors while smaller packages only attract contractors local to the procuring province. For example, in the case of Binh Dinh where the average contract size was around \$500,000, all 34 participating contractors were from Binh Dinh. Contrast that with the situation in Phu Yen with average contract size of \$750,000 where approximately 80% of total participating contractors were from out of province.

Proposed Risk Mitigation Measure:

64. Increase contract sizes in light of available contractor capacity data to reduce administrative burden, risk of collusion and improve quality of implementation.

3. Basic Data

Project Name: Integrated Rural Development Sector Project in the Central Provinces-Additional Financing	
Country: Viet Nam	Executing Agency: Ministry of Agriculture and Rural Development
Loan Amount: ADF - \$85 million	Loan Number: xxxxxx
Date of First Procurement Plan: 15 July 2014	Date of this Procurement Plan: 15 July 2014

4. Process Thresholds, Review and 18-Month Procurement Plan

a. Project Procurement Thresholds

65. 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
National Competitive Bidding (NCB) for Works	Up to \$5,000,000

b. ADB Prior or Post Review

66. 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
Procurement of Goods and Works		
NCB Works		Prior for 3 first packages of Ha Tinh and Thua Thien Hue provinces. The first package for each of the remaining 4 provinces. Post for the rest.
Shopping Goods	Prior	
Recruitment of Consulting Firms		

Single Source Selection (SSS)	Prior
Fixed Budget Selection (FBS)	Prior
Least Cost Selection (LCS)	Prior

c. Civil Works Contracts

67. The following table lists of civil works contracts for which procurement activity is expected to commence within the next 18 months.

General Description	Estimated Value (\$ million, cumulative)	Estimated No. of Contracts	Procurement methods	Responsible Agency	Advertisement Date (quarter/year)	Source of fund
Ha Tinh						
Civil works						
Upgrading irrigation system of Ky Anh District Subproject	2.785	Multiple (≤2 lots)*	NCB	Ha PPMU	Tinh IV/2015	ADB and Gov.
Upgrading irrigation/drainage and rural road system in flooding-prone area of Loc Ha District Subproject	2.325					
- Transport package	0.636	1	NCB	Ha PPMU	Tinh IV/2015	ADB and Gov.
- Irrigation package	1.689	1	NCB	Ha PPMU	Tinh IV/2015	ADB and Gov.
Upgrading Ho Dam and Tiem River canal system Subproject	1.491	1	NCB	Ha PPMU	Tinh IV/2015	ADB and Gov.
Upgrading irrigation system in 5 flooded communes of Duc Tho District Subproject	1.778					
- Irrigation package	1.553	1	NCB	Ha PPMU	Tinh IV/2015	ADB and Gov.
- Market package	0.225	1	NCB	Ha PPMU	Tinh IV/2015	ADB and Gov.
Upgrading irrigation system 3, Tay Nam Commune, Thach Ha District Subproject	1.481					
- Transport package	0.673	1	NCB	Ha PPMU	Tinh IV/2015	ADB and Gov.
- Irrigation package	0.808	1	NCB	Ha PPMU	Tinh IV/2015	ADB and Gov.

Thua Thien Hue

Civil works

General Description	Estimated Value (\$ million, cumulative)	Estimated No. of Contracts	Procurement methods	Responsible Agency	Advertisement Date (quarter/year)	Source of fund
Upgrading Dai Giang River Dike system Subproject	4.338					
- Right river bank package	2.312	1	NCB	Thua Thien Hue PPMU	IV/2015	ADB and Gov.
- Left river bank package	2.026	1	NCB	Thua Thien Hue PPMU	IV/2015	ADB and Gov.
Upgrading Dong Tay Hoi Tom Dike combining with on-farm road Subproject	2.238	1	NCB	Thua Thien Hue PPMU	IV/2015	ADB and Gov.
Upgrading road combining with flood protection dike of Pho Lai - Thanh Cam - Nam Duong - Co Phap Subproject	2.834	Multiple (≤2 lots)*	NCB	Thua Thien Hue PPMU	IV/2015	ADB and Gov.
Binh Dinh						
Civil works						
Upgrading Nui Mot Reservoir's canal system Subproject	2.109	1	NCB	Binh Dinh PPMU	IV/2015	ADB and Gov.
Upgrading Lai Giang Dam's primary canal Subproject	2.345	1	NCB	Binh Dinh PPMU	IV/2015	ADB and Gov.
Upgrading Hoi Khanh Reservoir Subproject	1.964	Multiple (≤2 lots)*	NCB	Binh Dinh PPMU	IV/2015	ADB and Gov.
Upgrading My Thuan Reservoir Subproject	1.920	Multiple (≤2 lots)*	NCB	Binh Dinh PPMU	IV/2015	ADB and Gov.
Upgrading rural infrastructures in Nhon Thø - Nhon Khánh Subproject	3.192					
- Bridge package	1.772	1	NCB	Binh Dinh PPMU	IV/2015	ADB and Gov.
- Road package	1.420	1	NCB	Binh Dinh PPMU	IV/2015	ADB and Gov.
Upgrading Van Phong canal system Subproject	2.304	1	NCB	Binh Dinh PPMU	IV/2015	ADB and Gov.
Phu Yen						
Civil works						
Consolidate main canal and branch canals of Dong Cam irrigation scheme Subproject	4.286					

General Description	Estimated Value (\$ million, cumulative)	Estimated No. of Contracts	Procurement methods	Responsible Agency	Advertisement Date (quarter/year)	Source of fund
- Hoa Thang - Hoa Tri - Hoa Dinh - Hoa An (North canal) package	2.381	1	NCB	Phu Yen PPMU	IV/2015	ADB and Gov.
- Hoa Tan Tay - Hoa Phu - Hoa Hiep Trung (South canal) package	1.905	1	NCB	Phu Yen PPMU	IV/2015	ADB and Gov.
Upgrading canal, road, and sluice of An Cu – An Hiệp - An Hòa Subproject	2.713	1	NCB	Phu Yen PPMU	IV/2015	ADB and Gov.
Upgrading Suoi Cau weir and access road Subproject	2.083	1	NCB	Phu Yen PPMU	IV/2015	ADB and Gov.
Upgrading irrigated canal of Dong Tron reservoir's irrigation system	2.258					
-East canal		0.819	1	NCB	Phu Yen PPMU	IV/2015 ADB and Gov.
- West canal		1.439	1	NCB	Phu Yen PPMU	IV/2015 ADB and Gov.
Ninh Thuan						
Civil works						
Upgrading beginning section of North primary canal of Nha Trinh - Lam Cam irrigation system Subproject	4.984	Multiple (≤2 lots)*	NCB	Ninh Thuan PPMU	IV/2015	ADB and Gov.
Upgrading the management road of the South primary canal of Nha Trinh - Lam Cam irrigation system Subproject	3.663	Multiple (≤2 lots)*	NCB	Ninh Thuan PPMU	IV/2015	ADB and Gov.
Binh Thuan						
Civil works						
Upgrading Du Du Reservoir Subproject	2.381	Multiple (≤2 lots)*	NCB	Binh Thuan PPMU	IV/2015	ADB and Gov.
Upgrading Saloun Reservoir Subproject	1.795	Multiple (≤2 lots)*	NCB	Binh Thuan PPMU	IV/2015	ADB and Gov.
Upgrading North	3.370	Multiple (≤2	NCB	Binh Thuan	IV/2015	ADB and

General Description	Estimated Value (\$ million, cumulative)	Estimated No. of Contracts	Procurement methods	Responsible Agency	Advertisement Date (quarter/year)	Source of fund
primary canal of Ba Bau irrigation system Subproject		lots)*		PPMU		Gov.
Upgrading primary canal of Quao River Subproject	2.776	1	NCB	Binh Thuan PPMU	IV/2015	ADB and Gov.

PPMU = provincial project management unit.

*Multiple lots: Upon availability of detailed design of each subproject, specific number of lots per package shall be identified and justifications shall be provided for ADB's approval through relevant subproject investment report (SIR), the number of lots should be ≤ 3 and the division will be made based on geographical conditions and implementation arrangement with the cost estimate of lot is about \$1 million.

d. Goods Contracts

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

General Description	Est. Value (\$ million)	Est. No. of Contracts	Recruitment Method	Proposal Type	Advertisement Date (quarter/year)	Comment
Equipment for CPMU	0.038	1	Shopping		I/2015	

e. Consulting Services Contracts

69. 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	Est. Value (\$ million)	Est. No. of Contracts	Recruitment Method	Proposal Type	Advertisement Date (quarter/year)	Comment
Loan implementation	1.758	1	SSS with the existing LIC ¹⁶	FTP		

¹⁶ Single Source Selection of the loan implementation consultant under the Project, VICA Consultants International (VICA), is justified for several reasons. First, VICA's technical capabilities are well aligned with the requirements of the proposed terms of reference and it has experience of exceptional worth for this assignment. Under the QCBS selection through which VICA was originally recruited in 2009, it obtained the highest technical score of 927/1000 out of the four firms that submitted proposals. More importantly, VICA's actual performance under the Project has also been satisfactory.

Second, VICA's financial proposal under the new contract will be reasonable because (i) 23 out of 28 person-months of international expert input will be provided by experts recruited under original VICA contract based on remuneration rates determined competitively during QCBS selection process and (ii) 132 of 174 person-months of national expert input will be provided by experts recruited under original VICA contract based on remuneration rates determined competitively during QCBS selection process (with respect to the balance of 42 persons months, 23 person-months will be provided by national experts who are replacements with remuneration rates determined competitively during the original QCBS selection.

General Description	Est. Value (\$ million)	Est. No. of Contracts	Recruitment Method	Proposal Type	Advertisement Date (quarter/year)	Comment
consultants (LIC) – for additional phase						
New baseline consultant and Impact assessment consultant	0.385	1	FBS	BTP	III/2014	
New Project Auditor	0.187	1	LCS	BTP	III/2014	
New subproject completion auditor	0.297	1	FBS	BTP	II/2015	

f. National Competitive Bidding¹⁷

70. **General.** The laws to be followed for national competitive bidding are set forth in (i) the Law on Procurement No. 43/2013/QH13 of 26 November 2013. Whenever any procedure in the national procurement laws is inconsistent with the ADB Procurement Guidelines (March 2013, and as amended from time to time), the ADB Guidelines shall prevail, amongst others on the following.

71. Registration

- (i) Bidding shall not be restricted to pre-registered firms and such registration shall not be a condition for participation in the bidding process.
- (ii) Where registration is required prior to award of contract, bidders: (i) shall be allowed a reasonable time to complete the registration process; and (ii) shall not be denied registration for reasons unrelated to their capability and resources to

Third, given the specialized nature of the terms of reference, competition will be limited and conducting a new selection process is unlikely to produce a firm with deeper technical expertise or significantly lower price. Only 9 expressions of interest (EOIs) were received during the original QCBS selection process and VICA's EOI ranked second while the firm with the highest ranked EOI failed to submit a proposal. Out of the 6 shortlisted firms, only 4 submitted proposals and only one firm other than VICA obtained a score higher than 750 to allow for its financial proposal to be opened. Moreover, VICA's evaluated price was higher than that of its only other technically qualified competitor by approximately \$30,000.

Fourth, VICA's recruitment through SSS will significantly accelerate implementation by allowing it to immediately commence key activities involving review and/or preparation of technical design and safeguard documents and subproject investment reports.

Fifth, recruitment of VICA will also ensure continuity and eliminate learning costs that will be incurred were a new consultant to be recruited.

And finally, as the only Vietnamese firm to have expressed interest under the original QCBS selection process, VICA's recruitment will be consistent with ADB's interest in encouraging development of domestic consulting industry in Vietnam.

¹⁷ A new Public Procurement Law and related decrees will go into effect on July 1, 2014 and ADB will then update this section of the Procurement Plan.

successfully perform the contract, which shall be verified through post-qualification.

- (iii) Foreign bidders shall not be required to register as a condition for submitting bids.
- (iv) Bidder's qualification shall be verified through pre- or post-qualification process.

72. Eligibility

- (i) National sanction lists may only be applied with approval of ADB¹⁸.
- (ii) A firm declared ineligible by ADB cannot participate in bidding for an ADB financed contract during the period of time determined by ADB.
- (iii) A firm which has been engaged by the borrower to provide consulting services for the preparation or implementation of a project, and any of its affiliates, shall be disqualified from subsequently providing goods, works, or services, resulting from or directly related to the firm's consulting services for such preparation or implementation.

73. Prequalification and Post qualification

- (i) Post qualification shall be used unless prequalification is explicitly provided for in the loan agreement/procurement plan. Irrespective of whether post qualification or prequalification is used, eligible bidders (both national and foreign) shall be allowed to participate.
- (ii) In the event where pre-qualification is used, interested firms shall be given no less than 42 days to prepare their pre-qualification submission.
- (iii) When pre-qualification is required, the evaluation methodology shall be based on pass/ fail criteria relating to the firm's experience, technical and financial capacities.
- (iv) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only criteria so specified, shall be used to determine whether a bidder is qualified. The evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid.
- (v) In carrying out the post-qualification assessment, the Employer/ Purchaser shall exercise reasonable judgment in requesting, in writing, from a bidder missing factual or historical supporting information related to the bidder's qualifications and shall provide reasonable time period (a minimum of 7 days) to the bidder to provide response.

¹⁸ Section 52 of the Integrity Principles and Guidelines allows ADB to sanction parties who fail to meet ADB's high ethical standards based on the decisions of third parties, such a decision can only be made by the Integrity Oversight Committee on the basis of ADB's own independent examination of the evidence. As such, the process should follow the normal assessment and investigative processes prescribed by the Integrity Principles and Guidelines. <http://www.adb.org/Documents/Guidelines/Integrity-Guidelines-Procedures/integrity-guidelines-procedures-2006.pdf>

74. Preferences

- (i) No preference of any kind shall be given to domestic bidders or for domestically manufactured goods.
- (ii) Regulations issued by a sectoral ministry, provincial regulations and local regulations which restrict national competitive bidding procedures to a class of contractors or a class of suppliers shall not be applicable.
- (iii) Foreign bidders shall be eligible to participate in bidding under the same conditions as local bidders, and local bidders shall be given no preference (either in bidding process or in bid evaluation) over foreign bidders, nor shall bidders located in the same province or city as the procuring entity be given any such preference over bidders located outside that city or province

75. Advertising

- (i) Invitations to bid (or prequalify, where prequalification is used) shall be advertised in Government Public Procurement Bulletin. In addition, the procuring agency should publish the advertisement in at least one widely circulated national daily newspaper or freely accessible, nationally-known website allowing a minimum of twenty-eight (28) days for the preparation and submission of bids and allowing potential bidders to purchase bidding documents up to at least twenty-four (24) hours prior the deadline for the submission of bids. Bidding of NCB contracts estimated at \$500,000 or more for goods and related services or \$1,000,000 or more for civil works shall be advertised on ADB's website via the posting of the Procurement Plan.
- (ii) Bidding documents shall be made available by mail, or in person, to all who are willing to pay the required fee, if any.
- (iii) The fee for the bidding documents should be reasonable and consist only of the cost of printing (or photocopying) the documents and their delivery to the bidder. (Currently set at 1 Mln VND, increase subject to approval of ADB)

76. Standard bidding documents

- (i) The Borrower's standard bidding documents, acceptable to ADB, shall be used. The bidding documents shall provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission and opening of bids.
- (ii) Bidders shall be allowed to submit bids by hand or by mail/ courier.

77. Bid Opening

- (i) All bids received after the deadline for submission indicated in the bidding documents will be rejected.
- (ii) All bids received before the bid submission deadline shall be opened except those with proper notice of withdrawal.

- (iii) A copy of the bid opening record shall be promptly provided to all bidders who submitted bids.

78. **Bid Evaluation**

- (i) Merit points shall not be used in bid evaluation.
- (ii) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.¹⁹
- (iii) Except with the prior approval of ADB, no negotiations shall take place with any bidder prior to the award, even when all bids exceed the cost estimates.
- (iv) A bidder shall not be required, as a condition for award of contract, to undertake obligations not specified in the bidding documents or otherwise to modify the bid as originally submitted.
- (v) Bids shall not be rejected on account of arithmetic corrections of any amount. However, if the Bidder that submitted the lowest evaluated bid does not accept the arithmetical corrections made by the evaluating committee during the evaluation stage, its bid shall be disqualified and its bid security shall be forfeited.

79. **Rejection of All Bids and Rebidding**

- (i) No bid shall be rejected on the basis of a comparison with the owner's estimate or budget ceiling without the ADB's prior concurrence.
- (ii) Bids shall not be rejected and new bids solicited without the ADB's prior concurrence.

80. **Participation by Government-owned enterprises.** Government-owned enterprises shall be eligible to participate as bidders only if they can establish that they are legally and financially autonomous, operate under Enterprise law and are not a dependent agency the contracting entity. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

81. **Participation by Foreign contractors and suppliers. Joint Ventures and Associations**

- (i) Foreign suppliers and contractors from eligible countries shall, if they are interested, be allowed to participate without being required to associate or form joint ventures with local suppliers or contractors, or to subcontract part of their contract to a local bidder.

¹⁹ Minor, non-substantial deviation is one that, if accepted, would not affect in any substantial way the scope, quality, or performance specified in the contract; or limit in any substantial way, the Contracting entity rights or the Bidder's obligations under the proposed contract or if rectified, would not unfairly affect the competitive position of other bidders presenting substantially responsive bids.

- (ii) A bidder declared the lowest evaluated responsive bidder shall not be required to form a joint venture or to sub-contract part of the supply of goods as a condition of award of the contract.
- (iii) License for foreign contractors operation in Vietnam would be provided in a timely manner and will not be arbitrarily withheld.

82. Publication of the Award of Contract. Debriefing.

- (i) For contracts subject to prior review, within 2 weeks of receiving ADB's "No-objection" to the recommendation of contract award, the borrower shall publish in the Government Public Procurement Bulletin, or well-known and freely-accessible website the results of the bid evaluation, identifying the bid and lot numbers, and providing information on: i) name of each bidder who submitted a bid; ii) bid prices as read out at bid opening; iii) name and evaluated prices of each bid that was evaluated; iv) name of bidders whose bids were rejected and the reasons for their rejection; and v) name of the winning bidder, and the price it offered, as well as the duration and summary scope of the contract awarded.
- (ii) For contracts subject to post review, the procuring entity shall publish the bid evaluation results no later than the date of contract award.
- (iii) In the publication of the bid evaluation results, the borrower shall specify that any bidder who wishes to ascertain the grounds on which its bid was not selected, should request an explanation from the procuring entity. The procuring entity shall promptly provide an explanation of why such bid was not selected, either in writing and / or in a debriefing meeting, at the option of the borrower. The requesting bidder shall bear all the costs of attending such as debriefing. In this discussion, only the bidder's bid can be discussed and not the bids of competitors.

83. **Handling of Complaints.** The national competitive bidding documents shall contain provisions acceptable to ADB describing the handling of complaints in accordance with Chapter X of Decree No. 85/2009/ND-CP, read with Articles 72 and 73 of the Law on Procurement No. 61/2005/QH11.

84. **ADB Member Country Restrictions.** Bidders must be nationals of member countries of ADB, and offered goods, works, and services must be produced in and supplied from member countries of ADB.

85. **Fraud and Corruption.** ADB will sanction a party or its successor, including declaring ineligible, either indefinitely or for a stated period of time, to participate in ADB-financed activities if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for, or in executing, an ADB-financed contract.

86. **Right to Inspect/ Audit.** Each bidding document and contract financed from by ADB shall include a provision requiring bidders, suppliers, contractors to permit ADB or its representative to inspect their accounts and records relating to the bid submission and contract performance of the contract and to have them audited by auditors appointed by ADB.

C. Consulting Services

87. Four sets of consultants will be recruited under the additional financing for (i) loan implementation, (ii) baseline and end-line surveys, (iii) financial audit, and (iv) subproject completion audit. TORs for baseline and end-line surveys will be developed during the implementation of the additional financing period.

88. **Loan Implementation Consultants (LIC).** The objectives of the LIC services are to assist the Central Project Management Unit for the Integrated Rural Development Sector Project in Central Provinces to effectively and efficiently oversee the implementation of the project to review provincial subproject investment reports (SIRs), safeguard compliance and operation and maintenance activities. The existing LIC consultants will be retained through a Single Source Selection to ensure continuity and timely technical inputs to the PPMUs during the SIR stage and thereafter. The total inputs required and TORs are presented below.

89. Loan Implementation Consulting Firm Inputs

	The proposed consultant service
1. International Consultants	28
Project Management & Rural Infrastructure Specialist/Team Leader	20
Resettlement Specialist	3
Geotechnical and Dam Safety specialist	5
2. National Consultants	174
Road Engineer	6
Irrigation Engineer/Deputy Team Leader	30

	The proposed consultant service
M&E Specialist	14
O&M Specialist	14
Community Participation & Gender Specialist	18
Resettlement Specialist	33
Environmental Specialist	26
Ethnic Minority Specialist	3
Economist	6
Capacity Development Specialist(Training specialist)	5
Dam Safety Specialist	3
Procurement Specialist	16

1. International Consultants

a. Rural Infrastructure Engineer (Team Leader, 20 person-months, intermittent)

90. This team leader position is necessary to provide implementation support after the initial setup period and to coordinate the other specialist inputs under the Project. In addition, the position will also have technical specialist skills - a rural infrastructure engineer so he/she can also support technical specialist in the respective areas. The specialist will be based in the CPMU and directly support the national project director and the deputy directors. The specialist will have a minimum of 10 years experiences in rural infrastructure development, five of which will have been obtained in Viet Nam or similar South East Asian countries. Specific tasks of the team leader will include but are not limited to:

- (i) Supervise the consulting team and ensure that inputs and activities of both the international and national consultants are of a high quality and effective;
- (ii) Assist in the design, planning and supervision of implementation monitoring, safeguard monitoring and benefit monitoring activities;
- (iii) Assess and recommend potential scope of climate change adaptation measures in the proposed subproject feasibility studies;
- (iv) Supervise the consultants to ensure that the planned training program including project management and safeguard is properly implemented;
- (v) Lead the consulting team in assisting the CPMU to review technical and safeguard aspects of the detailed technical designs;
- (vi) Work with the national M&E specialist and assist the CPMU in developing a TOR for baseline survey and updating the PPMS;

- (vii) Together with the national O&M consultant, assist the CPMU in addressing O&M issues in subprojects and at the broader provincial level;
- (viii) Provide advice and guidance on procurement, disbursement and liquidation of expenditures following ADB procedures
- (ix) Bring safeguard issues identified by other consultants, the community participation team, safeguard officers or the monitoring teams to the attention of the CPMU and PPMUs;
- (x) Bring project implementation or O&M issues identified by other consultants or the monitoring teams to the attention of the CPMU and relevant PPMUs;
- (xi) Assist the CPMU and PPMUs to resolve safeguard and implementation problems and issues which may arise from time to time;
- (xii) Participate in the mid-term review; and
- (xiii) Lead a team to prepare consolidated quarterly progress reports, mid-term report and completion report, including provide instructions to PPMUs in preparation of their provincial completion reports and subprojects completion reports for all subprojects.

b. Resettlement Specialist (3 person-months, intermittent)

91. Qualification: The specialist will have university graduate degree in land administration or social science from recognized international institutions. The specialist will be familiar with working in large multinational teams. Experience: The specialist will have at least 10 years experience in the field of resettlement for internationally funded development projects, some of which will have been undertaken in Viet Nam. Specific tasks of the specialist will include but are not limited to:

- (i) Review and ensure that all resettlement and ethnic minority development plans are prepared in compliance with ADB's resettlement policies and standard requirements;
- (ii) Facilitate the submission and approval of all RPs and EMDPs by ADB;
- (iii) Assist in facilitating the training program on the land acquisition and resettlement aspects of the Project;
- (iv) Review the existing PPIS and ensure adequate safeguard monitoring and reporting is included in the revised PPIS; and
- (v) Provide guidance to the national resettlement specialist to assist in carrying out the above listed tasks.

c. International Geotechnical and Dam Safety Specialist (5 person-months, intermittent)

92. Dam safety is a significant technical issue of the Project. International and national specialists will be engaged to assist the CPMU ensure that design quality will be maintained and that there is adequate technical support available during the preparation of subproject designs and their subsequent review based on technical criteria. The specialist will be based in the CPMU and will travel throughout the project area as required.

93. **Qualifications:** The International dam safety specialist will have a minimum of a master's degree in Civil, Structural or Geotechnical Engineering specializing in small and medium size irrigation dam design, construction and management. **Experience:** He/she will have at least 15 years' experience in the analysis and the design of measures to ensure dam stability and safety. Prior experience in countries of the Greater Mekong Sub region (GMS), particularly Viet Nam, is preferred.

94. **Duties:** The specialist will undertake field investigations of the integrity of the dams that support the subproject irrigation schemes. Where relevant, He/she will assess the feasibility of the measures proposed by the officials responsible for the management of the dams for repairs or improvements. Should such measures be found inadequate, he/she will make recommendations for appropriate measures or for not proceeding with the subproject. Specific tasks of the specialist will include but are not limited to:

- (i) Visit all dams that are included in candidate subprojects. Make a rapid assessment of the condition of the dams and the adequacy of the management regime(s) in place;
- (ii) In close consultation with the officials responsible for the management of the dams undertake the onsite investigation of the condition of the dams and the adequacy of measures proposed for repair and subsequent maintenance;
- (iii) Review designs of subprojects related to reservoirs/dams and make recommendations for improvements;
- (iv) In close consultation with the officials responsible for the management of the dams undertake the onsite investigation of the condition of the dams and the adequacy of measures proposed for repair and subsequent maintenance;
- (v) Produce a concise report on the findings and recommendations from the investigation in terms of a) adequacy of proposed repairs and subsequent management; b) any lessons learned that should be taken into consideration in the overall consideration of dam safety; c) scope of training for improved dam safety and operation; and
- (vi) Provide guidance to the national dam safety specialist to assist in carrying out the above listed tasks.

2. National Consultants

- a. Irrigation Specialist/Deputy Team Leader** (national, 30 person-months, intermittent)

92. Qualifications: The specialist will have post-graduate degree in irrigation engineering from an established and recognized institution. Individual specialist will be familiar with working on internationally funded development projects.

93. Experience: The candidates will have a minimum of 15 years' experience in their respective fields and will have more than 10 years' experience as irrigation consulting engineer and familiar with similar ODA-funded projects.

94. Duties: This position will (i) support the Team Leader to provide implementation support after loan effectiveness, manage LIC national consultants and, liaise with Government, ADB and other stakeholders; and (ii) assure that design quality will be maintained and that there is adequate technical support available during the preparation of subproject designs and their subsequent review based on technical criteria. The specialist will report to the international Team Leader. Specific tasks will include but will not be limited to:

- (i) Act as Team Leader during the periods that the international team leader not mobilized;
- (ii) Assess the existing Quality Assurance Regime for the irrigation subprojects and revise it for improved quality assurance;
- (iii) Undertake field inspections of the proposed irrigation sites;
- (iv) Pay special attention to minimizing any disturbance to the natural environment and mitigating and corrective measures as appropriate;
- (v) Audit the design for safety and provide guidance accordingly to mitigate any potential hazards;
- (vi) Ensure that up-to-date, effective and efficient technology solutions to be applied into irrigation schemes.
- (vii) Provide written comments and recommendations to the CPMU on each subproject reviewed detailing any changes or modifications to the technical design;
- (viii) Review and provide recommendations regarding the subproject SIRs for the technical issues;
- (ix) Ensure that canal design is appropriate given the characteristics of the command area and cropping alternatives;
- (x) Ensure the hydrological analysis prepared by the provincial consultants verifies that the current and future demands anticipated from the water source will be accommodated given the runoff and other catchment characteristics;
- (xi) Review, assess, and provide recommendations regarding the O&M requirements of the alignment to be rehabilitated and recommend the optimum level of O&M needed for irrigation schemes.

- (xii) Recommend improvements in the design of irrigation structures in irrigation related subprojects to improve efficiency of water utilization and facilitate efficient water management during the operational phase;
- (xiii) Assist CPMU and PPMUs in preparing and consolidating quarterly progress reports, mid-term report and draft final report; and
- (xiv) As necessary, jointly brief consulting engineers engaged to prepare detailed designs on the proposed changes and explain the reasons for these changes.

b. Road Engineer (national, 6 person-months, intermittent)

95. **Qualification:** The specialist will have post-graduate qualifications in road engineering from recognized national or international institutions. The specialist will be familiar with working in large multinational teams. **Experience:** The engineer will have a minimum of 15 years' experience in road design and/or construction supervision and will have more than 10 years' experience as consulting engineers and experience with ODA-funded projects.

96. **Duties:** With the emphasis being on quality of design and construction, the specialists will review road designs prepared by provincially based consultants with particular attention being paid to designing road sections adapted to the local conditions. The review process is necessary to ensure that standard designs are not blindly applied in this challenging environment and that designs are not dominated by the budget limitations of the subproject and provincial cost norms but provide for anticipated volumes of traffic under conditions of minimal maintenance. The specialist will report to the international Team Leader and the deputy Team Leader. Specific tasks of the specialist will include but are not limited to:

- (i) Following site investigations, provide written comments and recommendations on each subproject reviewed detailing recommended changes to the technical design parameters;
- (ii) Review, assess, and provide recommendations regarding the O&M requirements of the alignment to be rehabilitated and recommend the optimum level of O&M needed for maintenance of the function of the road;
- (iii) Conduct site supervision during construction period to ensure quality of subprojects; and
- (iv) Review and provide recommendations regarding the quality of completed subprojects and O&M arrangements during the commissioning period.

c. Monitoring and Evaluation Specialists (M&E) (national 14 person-months, intermittent)

97. The existing PPMS include the following three types of monitoring: (i) implementation progress; (ii) safeguard monitoring; and (iii) benefit monitoring and evaluation. Project benefit, monitoring and evaluation (PBME) is an important aspect to ensure that benefits under the Project are as intended and that they are received by all members of the target communities. To achieve this, there need to be baseline and end-line surveys undertaken during the subproject design phase to identify the current socio-economic conditions of target beneficiaries to assess

the impact after subproject completion. To ensure that representative information is collected and that the full extent of variation is captured within the sample population of the surveys, it is important to have an experienced PBME specialist to assist in overall survey design and to provide the principles for analyzing the results. In addition, the specialist will be responsible for establishing performance monitoring of the implementation of subprojects to facilitate reporting to the Government and ADB.

98. **Qualification:** The specialist will have post-graduate degree in rural development or a related area from recognized institutions. The specialist will be familiar with working in large multinational teams. **Experience:** The specialist will have at least 10 years experiences in specialized field and 10 years experiences as PBME specialist or related area and experience with ODA-funded projects. **Duties:** The specialist will report to the international Team Leader and the deputy Team Leader and be based in the CPMU with frequent travel to the target provinces as required. Specific tasks of the specialist will include but are not limited to:

- (i) Together with the CPMU staff and the consulting team leader determine the optimum type of monitoring program for project implementation related to safeguards, GAP implementation and benefits;
- (ii) Together with CPMU staff, review the existing PPMUs and update a monitoring system based on measurable inputs, outputs and outcomes;
- (iii) Assist the CPMU in developing a TOR and recruiting a firm or institution to undertake baseline and benefit monitoring;
- (iv) Conduct M&E training to ensure adequate data collection and reporting by the PPMUs;
- (v) Guide the benefit monitoring agency in undertaking baseline surveys, developing monitoring parameters and scheduling monitoring activities;
- (vi) Ensure inclusion of the M&E progress and data in the quarterly, mid-term and final report;
- (vii) Periodically review monitoring activities during project implementation and report any deficiencies, problems, issues or shortcomings to the CPMU; and
- (viii) Develop training materials on M&E and conduct trainings under the training program of the project.

d. O&M Specialist (national 14 person-months, intermittent)

99. **Qualification:** The specialist will have post-graduate degree in infrastructure engineering or a related area from recognized institutions. The specialist will be familiar with working in large multinational teams. **Experience:** The specialist will have at least 15 years experiences in specialized field and 10 years experiences as as an O&M specialist or related area and experience with ODA-funded projects.

100. **Duties:** The specialist will assist in the development of more appropriate maintenance programs by provincial administrations and to assist in the reallocation of scarce provincial funds to O&M. The specialist will be based in the CPMU with frequent travel to the target provinces as required. He/she will report to the international Team Leader and national Deputy

Team Leader. Specific tasks of the specialist will include but are not limited to: O&M training activities to PPMUs and concerned authorities;

- (i) Periodically review engineering works being constructed and in the post-construction phase to ensure that the designs incorporate O&M measures and that they are effectively being implemented;
- (ii) Work with the training specialists and community participation and gender specialist to incorporate O&M aspects with gender perspective into the training program, take part in implementing the training program on O&M; and
- (iii) Assist the CPMU to ensure the quality for documents justifying changes that may occur during construction.

e. Community Participation and Gender Specialist (national, 18 person-months, intermittent)

101. The Project aims to gain maximum benefit from the investment in rural infrastructure rehabilitation. To contribute to this objective, it is proposed to increase the involvement of communities that stand to benefit directly from the investment. By obtaining their commitment to investments, there is greater likelihood that the structures will be maintained after construction and that detailed design will be more relevant, leading to a greater participation rate - e.g. in the case of irrigation and water supply investments. Furthermore, the safeguard requirements seek to improve the benefit to the poor and the disadvantaged groups within the target area. This will require specialist expertise in identifying affected groups and in accommodating their interests wherever feasible.

102. Qualification: The specialist will have post-graduate degree in social/gender and development or related field, from a national educational institution on social area. The specialist will be familiar with working in large multinational teams. Experience: The specialist will have at least 15 years experience in specialized field and 10 years experience in the community development/gender and development field on internationally funded projects.

103. The specialist will support project initiatives in community development including gender action plan's activities. There will be capacity building in these areas that will also form part of the responsibilities of the specialist. He/she will be based in the CPMU and will report to the international Team Leader and national deputy Team Leader. He or she will be required to undertake training and other community development initiatives in the target area. Specific tasks of the specialist will include but are not limited to:

- (i) Review GAP;
- (ii) Prepare ethnic minority development plans (REMDPs) for relevant subprojects;
- (iii) Conduct gender related trainings under the training program of the project;
- (iv) Visit some of the completed subprojects to get feedback from the beneficiaries and assess and recommend improved measures to facilitate adequate community involvement in construction supervision and O&M;
- (v) Collaborate with the consultant' M&E officer to include relevant sex-disaggregated indicators into the project performance monitoring system for data collection and reporting as part of the project M&E and report to ADB;

- (vi) Assist gender focal point/safeguards officers within the CPMU in monitoring community involvement/ GAP implementation during subprojects' implementation and bring issues or problems to the attention of the CPMU and relevant PPMUs and in reporting to ADB; and
- (vii) Provide GAP training to ensure adequate sex-disaggregated data collection and reporting by PPMUs;
- (viii) Assist PPMUs and CPMU in consolidating GAP progress in the quarterly, mid-term and final reports; and
- (ix) Document the results of the GAP implementation and make recommendations for changes in order to achieve GAP target, ensuring vulnerable groups, including women, ethnic minority can benefit equally as other groups; and
- (x) Assist PPMUs in documenting the results of the community participation process and make recommendations for improved engagement.

f. Resettlement Specialist (national, 33 person-months, intermittent)

104. Resettlement is unlikely to be a significant issue in the implementation of the Project in view of the identification criteria to be adopted during implementation. This does not mean there will be none. International and national specialists will be engaged to assist the CPMU ensure that resettlement procedures are followed in accordance with laws of Viet Nam and policies of ADB. The specialists will assume responsibility of training the CPMU and PPMU staff in resettlement issues and procedures. They will also be responsible for establishing procedures in respect of resettlement and assist in the identification of procedures to resolve any resettlement that might be needed associated with rural infrastructure rehabilitation.

105. Qualification: The specialist will have post-graduate degree in land administration or social science from recognized institutions. The specialist will be familiar with working in large multinational teams. Experience: The specialist will have at least 15 years experience in specialized field and 10 years practical experience as resettlement specialist or related area and experience with ODA-funded projects. The national specialist will be conversant with the resettlement laws of Viet Nam.

106. The specialist will report to the international Team Leader and national deputy Team Leader. The specialist will be based on the CPMU and will travel throughout the project area as required, answering to the consultant team leader. Specific tasks of the specialist will include but are not limited to:

- (i) Prepare the resettlement and ethnic minority development plans (REMDPs) for all subprojects that require land acquisition;
- (i) Brief local consultants recruited to undertake land acquisition and resettlement plans in the preparation and reporting procedures to be followed in accordance with REMDF;
- (ii) Assist PPMUs in the preparation of the SIRs on matters related to involuntary resettlement issues.
- (iii) Coordinate, guide and support district and Commune Peoples Committee, NGOs, community organizations and other stakeholders to address requirements for relocation of affected peoples and/or income restoration strategies;

- (vi) Liaise with the safeguards officer in each PPMU and monitor implementation of land acquisition and resettlement plans being undertaken by the provincial and district governments and report anomalies to the CPMU and relevant PPMU;
- (iv) Assess monitoring and evaluation indicators as a part of Project's overall performance and benefit monitoring system; and
- (v) Close coordination with the international resettlement specialist;
- (vi) Review to assist CPMU to endorse quarterly provincial monitoring reports prepared by PPMU. Assist preparation of a subproject resettlement completion report to ADB when compensation has been paid and, as required, affected persons have relocated, for requesting approval to award related civil works contracts;
- (vii) Assist the CPMU to ensure the quality for documents justifying changes in design that may occur during construction.

g. Environmental Specialist (national 26 person-months)

107. The specialist will develop mechanisms to ensure that mitigating measures are in fact observed and will establish reporting formats to monitor the performance of contractors during the construction phase when environmental impacts are most likely. The specialist will report to the international Team Leader and national deputy Team Leader. Specific tasks of the specialist will include but are not limited to:

- (i) For proposed subprojects which present minor or insignificant environmental impact, and would be classified as "B" for environment under the ADB Guidelines, liaise with DONRE and prepare Initial Environmental Examination (IEE) with assistance of PPMUs in accordance with ADB Guidelines;
- (ii) For subprojects identified as "B" projects for environment for which the IEE has identified as environmentally sensitive, prepare an Environmental Impact Assessment (EIA) in accordance with ADB Guidelines;
- (iii) Brief the participating PPCs, PPMUs and participating district staff in all 6 provinces on environmental procedures and requirements for subproject preparation and identify training needs;
- (iv) Brief with local consulting firms hired for the preparation of SIRs on the environmental assessment requirements.
- (v) Develop safeguard training materials and conduct safeguard trainings under the training program of the project;
- (vi) Review SIRs prepared by the PPMUs, assist on matters related to environmental impact assessment and mitigation and make any necessary recommendations to PPMUs to improve their environmental assessment process;
- (vii) Visit random subprojects during construction to ensure environmental mitigation methods indicated in IEE are properly done; and
- (viii) Assist the CPMU to ensure the quality for documents justifying changes in design that may occur during construction.

h. Ethnic Minority Specialist (national, 3 person months)

108. Given the potentially large proportion of ethnic groups amongst the target population as beneficiaries, measures will need to be taken to ensure the groups share the benefits from project interventions. With this in mind, national specialist inputs are needed to assist CPMU and PPMUs in developing supportive activities to assure that benefits are shared by all disadvantaged groups including the ethnic groups. In addition, there is scope to develop other associated investments that will target the minority groups that require further definition during the preparation of the SIRs for funding under the Project. The Project will therefore need the services of an ethnicity specialist.

109. Qualification: The specialist will have post-graduate degree in the relevant social science from a recognized institution. The specialist will be familiar with working in large multinational teams. Experience: The specialist will have at least 15 years experience in specialized field and 10 years' experience in ethnic minority development issues in either internationally funded or domestically funded development programs. He/she will be conversant with the laws and policies of Viet Nam in respect of ethnic minorities. The specialist will be based in the CPMU and service all project provinces and PPMUs as required by the consultant team leader. The specialist will report to the international Team Leader and national deputy Team Leader. The specialist will participate in the capacity building to strengthen the understanding of government staff in this critical social area. Specific tasks of the specialist will include but are not limited to:

- (i) Examine individual subprojects to determine any opportunities to enhance positive impacts on ethnic minorities or women;
- (ii) Preparation Indigenous Peoples Development Plans within REMDPs;
- (iii) Together with the PPMU safeguards specialists, monitor subproject implementation and alert the CPMU to any ethnic minority problem identified during project implementation; and
- (iv) Develop training materials on ethnic minority issues and conduct trainings related to ethnic minority issues under the training program of the project.

i. Economist (national 6 person-months)

110. An essential part of the preparation of proposals for ADB funding is an assessment of the economic impact of all subprojects, and, in some cases, an assessment of the financial implications for the provincial and district administrations where user fees are to be charged. Overall subproject impact will be assessed based on a number of factors including its contribution to poverty reduction and socio-economic development for the province. Part of the assessment of impact will also be the economic impact from the investment as indicated by its Economic Internal Rate of Return (EIRR). These estimates will also be used in prioritizing sub-projects where there are choices in the utilization of loan funds. It is needed In order to address this weakness in the preparation stage of subprojects, it is proposed to engage the services of a suitably qualified project economist to support the preparation of SIRs to a standard that can be a useful tool in prioritizing investments.

111. Qualification: The specialist will have post-graduate degree in economics or development science from a recognized institution. The specialist will be familiar with working in large multinational teams. Experience: The specialist will have at least 15 years experience in

specialized field and 10 years experience in the economic analysis of infrastructure projects with strong training and interpersonal communication skills.

112. Duties: The specialist will report to the international Team Leader and national deputy Team Leader. Specific tasks of the specialist will include but are not limited to:

- (i) Develop training materials and provide guidance/trainings to PPMUs and provincial consultants in calculation of EIRR;
- (ii) Review and provide recommendations regarding the quality of the economic and financial analysis presented in each subproject feasibility study prepared by the feasibility study consultants
- (iii) Where necessary recommend measures to ensure that the relevant subproject benefits are accurately captured in the analysis;
- (iv) Ensure appropriate baseline and annual indicators are identified and measured. Undertake regular field visit to provide this support; and
- (v) Advise the CPMU as to whether feasibility studies financial and economic analysis meets an acceptable quality standards.

j. Capacity Development specialist (national 5 person months)

113. Given the broad nature of the capacity building initiatives and the range of expertise available both within country and from the specialists, it is proposed to appoint a national training coordinator to stream-line capacity building initiatives and to ensure that training delivered is both relevant and effective.

114. Qualification: The specialist will have post-graduate degree in education or a related field from a recognized institution. The specialist will be familiar with working in large multinational teams. Experience: The specialist will have at least 15 years experience in specialized field and 10 years' experience in capacity building programs.

115. Duties: The specialist will report to the international Team Leader and national deputy Team Leader. Specific tasks of the specialist will include but are not limited to:

- (i) Prepare a training program in cooperation with the CPMU;
- (ii) Take part in some trainings as co-lecturers;
- (iii) Supervise and monitor initial training program activities;
- (iv) Design a feedback mechanism for training participants;
- (v) Update the training program periodically based on identified needs and the feedback program; and
- (vi) Review the implementation of the program and make recommendations for future training activities.

k. National Geotechnical and Dam Safety Specialist (3 person-months)

116. Qualifications: The national dam safety specialist will have a minimum of a master's degree in Civil, Structural or Geotechnical Engineering specializing in small and medium size irrigation dam design, construction and management. Experience: They will have at least 15 years' experience in the analysis and the design of measures to ensure dam stability and safety.

117. Duties: The specialist will undertake field investigations of the integrity of the dams that support the subproject irrigation schemes. Where relevant, he/she will assess the feasibility of the measures proposed by the officials responsible for the management of the dams for repairs or improvements. Should such measures be found inadequate, he/she will make recommendations for appropriate measures or for not proceeding with the subproject. The specialist will report to the international Team Leader and national deputy Team Leader. Specific tasks of the specialist will include but are not limited to:

- (i) Meet with MARD officials responsible for the development and management of MARD's irrigation dams;
- (ii) Visit all dams that are included in candidate subprojects. Make a rapid assessment of the condition of the dams and the adequacy of the management regime(s) in place;
- (iii) In close consultation with the officials responsible for the management of the dams undertake the onsite investigation of the condition of the dams and the adequacy of measures proposed for repair and subsequent maintenance;
- (iv) Assist the international Geotechnical and Dam safety specialist in preparing a concise report on the findings and recommendations from the investigation in terms of a) adequacy of proposed repairs and subsequent management; b) any lessons learned that should be taken into consideration in the overall consideration of dam safety; and c) scope of training for safety and operation;
- (v) Assess and identify areas that would require improved technical measures in each SIR prior to PPC approval; and
- (vi) Conduct training to DARDs for improved dam/reservoir management and operations.

I. Procurement Specialist (national, 16 person months)

118. Qualifications: The specialists will have tertiary qualifications from an established and recognized institution. They will be familiar with ADB or World Bank procurement and consulting guidelines. Experience: They will have at least 10 years experience in specialized field and five years' experience undertaking or supervising procurement under internationally funded development projects.

119. Duties: The specialist will report to the international Team Leader and national deputy Team Leader. The specialists will be responsible for developing proforma contracts for use by the PPMUs in preparing works contracts and will ensure that ADB procedures are incorporated into the processing procedures developed by the CPMU for approving and implementing subprojects. Specific tasks of the specialists will include the following:

- (i) In association with the CPMU, develop procedures to ensure that ADB's procurement guidelines (2013, as amended from time to time) are incorporated into subproject processing and implementation;

- (ii) With the cooperation of the infrastructure engineers, develop pro-forma contracts that can be used by PPMUs for civil works construction;
- (iii) Support the CPMU in the preparation of standard bidding documents for civil works contracts in accordance with national competitive bidding procedures specified in the Project Administration Manual; and
- (iv) Assist in the capacity building training activities to ensure that PPMU staffs are familiar with procurement procedures and documents needed for the smooth implementation of the proposed Project.

D. Reports, Deliverables ²⁰

1. Reporting Requirements

Item	Description	Submission Date from Commencement of Contract Variation Assignment
A	Project report	
1.	<p>Inception Report</p> <p><i>This report will be a concise document covering all aspects of the project and will present (1) the findings of the Consultant's initial review of available data, site visits, and meetings with CPMU and major stakeholders; and (2) updated staffing and activity (work) schedules for completion of the assignment.</i></p>	After 6 weeks of commencement
2.	<p>Quarterly Progress Reports on the Implementation of Consulting Services</p> <p><i>Provide update information of what the team did in the Quarter, key achievements during quarter of the team and work plan for the next Quarter, propose any changes, if needed and any recommendations, if any</i></p>	2 weeks after the end of report period
3.	<p>Quarterly and Annual Reports on the Project Implementation Progress</p> <p><i>Provide update information of what the whole project has done in the Quarter, key achievements during quarter of the project, work plan of CPMU for the next Quarter and any recommendations, if any</i></p>	2 weeks after the end of report period
4.	<p>Delineation of the Training Program</p> <p><i>Detailed training program for the whole project with training need, list of courses, key contents of curricula of each course and other relevant information</i></p>	Three months after arrival of International Training Coordinator
5.	<p>Assignment Completion Report</p> <p><i>Report will summarize all works this consultant has done against the assigned TOR and other relevant information</i></p>	by each expert on the completion of their assignment
6.	<p>Annual Report on the Progress of Consulting Services</p> <p><i>Provide update information of what the team did in the year, key achievements during the year of the team and work plan for the next year, propose any</i></p>	1 month after each fiscal year

²⁰ Number of report copies delivered: 05 copies in English and 10 copies in Vietnamese (5 draft and 5 final)

Item	Description	Submission Date from Commencement of Contract Variation Assignment
	<i>changes, if needed and any recommendations, if any</i>	
7.	Project Midterm Report <i>This report will summarize information from the beginning of project to date, providing information for evaluation of project performance by relevant stakeholders and including recommendations of any changes need to do to project</i>	One month prior to the Midterm Workshop
8.	Draft Final Project Completion Report <i>This will be followed ADB's guidance as posted in ADB website, as amended time to time. PCR concentrates on analyzing project inputs and activities, implementation arrangements, costs, outputs, and impacts and focuses on the principal determinants of performance</i>	Three months prior to the completion date of the project (end date of the consulting services)
9.	Consultancy Completion Report <i>The final report will contain all of the updated final versions of the quarterly and annual reports, individual report. The report will also include an Executive Summary and Final Contract Implementation Schedule</i>	1 week before completion of consulting services
B	Subproject report	
1.	Resettlement and Ethnic Minority Development Plan (REMDP)	20 days after subprojects' field trip
2.	Initial Environmental Examination (IEE) report and Commitment of Environment Protection (CEP)	20 days after subprojects' field trip

1. The Consultant should recommend a standard outline of the reports at the commencement of the assignment for CPMU review /agreement, including appropriate appendices to support the findings. The report should also have a concise but clear Executive Summary (maximum 2 pages) highlighting progress and key issues. Photographs should be included to aid explanations, wherever possible. In addition to the hard copies as per the table above, the Consultant will also submit electronic versions of all reports.

120. Standardized Terms of Reference (TOR) for External Financial Audit Services (Auditor) of Annual Project Financial Statements (APFS)

2. Background of the Project:

- (i) The Background of Project
- (ii) Project Description
- (iii) The Executing- and the Implementing Agencies (EA/IAs)

3. Accounting and Financial Management

121. If the project has a financial management manual, mention it here, please include as Annex 2, attached to this TOR for the content of the Financial Management Manual.

4. Objective

122. The objective of audit assignment is to ensure that ADB, on an annual basis, is provided with the following reliable, comprehensive, and timely information: (i) Audited Project Financial Statements (APFS); (ii) Specific additional audit opinions; and (iii). Management Letter. ADB requires these documents to be provided in English.

5. Scope of Work

D.1. APFSs: Financial Statement to be audited:

123. The EAs/IAs is responsible for preparation and consolidation of APFSs. The Auditor is to express an opinion on the accompanying statements based on the audit. The accounting standard adopted should be specified in the annual audited financial statements. The content of the financial statements is expected to include, as a minimum:

- (i) A Summary of all sources of funds, as well as expenditures against a classification system that is responsive to the project's objectives both for the current fiscal year and cumulative to date, showing ADB funds and counterpart fund and funding from other sources separately;
- (ii) A Summary of Expenditures shown under the main project components and by main categories of expenditures, both for the current fiscal year and accumulated to date;
- (iii) A Statement of Funds Balance showing Accumulated Funds of the Project, bank balances, other assets of the project, and liabilities, if any;
- (iv) Supporting schedules to the financial statements which at least include: (i) a reconciliation of the amounts shown as "received by the project from the ADB" with those shown as being disbursed by ADB; and (ii) Statement of Expenditures (SOE) procedure (if applicable) listing individual SOE withdrawal applications by specific reference number and amount.

124. In addition to the audit of the project financial statements, the Auditor is required to audit all SOEs as the basis for the submission of the Withdrawal Applications to ADB. The Auditor should apply such tests and controls as the Auditor considers necessary under the circumstances. These expenditures should be carefully compared for project eligibility with the relevant loan agreement for guidance when considered necessary. Where ineligible expenditures are identified as having been included in Withdrawal Applications and reimbursed against, these should be separately noted by the Auditor. A note to the Project Financial Statements should be a schedule listing individual SOE withdrawal applications by specific reference number and amount. The total withdrawals under the SOE procedure should be part of the overall reconciliation of ADB disbursements described above.

125. Imprest Account/Sub Account statement showing movement and reconciliation with the bank statements. The Auditor is also required to audit the activities of the Imprest Accounts/Sub Accounts associated with the Project that usually comprise of:

- (i) Deposits and replenishments received from ADB;
- (ii) Payments substantiated by withdrawal applications;
- (iii) Interest that may be earned from the balances and which belong to the Borrower

- (iv) The remaining balances at the end of each fiscal year.

126. The Auditor must form an opinion as to the degree of compliance with ADB's procedures and the balance of the EAs at year-end. The audit should examine the eligibility and correctness of financial transactions during the period under review and fund balances at the end of such a period, the operation and use of the IAs in accordance with the financing agreement, and the adequacy of internal controls for this type of disbursement mechanism.

127. The Accounting Policies adopted and Explanatory notes. A Management Assertion that ADB funds have been expended in accordance with the intended purposes. Request for form of Annual Project Financial Statements including, but not limited to:

- (i) Annual project financial statements should normally be presented in the local currency, with the basis for conversion of any foreign exchange transactions or commitments explicitly stated.
- (ii) The annual project financial statements should be presented in the English language and should reflect the operations supported by ADB financing, including ADB-administered funds.
- (iii) The project expenditures should be presented following the expenditure categories contained in the legal agreement and/or the PAM, and revisions thereto.
- (iv) The annual project financial statements should include comparative figures for the preceding reporting year and cumulative figures from the loan effectiveness date to the end of the current reporting year. The annual project financial statements should include all sources of funds.
- (v) The accompanying Notes to Financial Statements should provide sufficient explanation and information on the financials in narrative form or appropriate supporting schedules, including description of key financial reporting policies.
- (vi) Financial statements should be prepared in accordance with accrual based financial reporting standards.
- (vii) The agreed financial reporting and auditing arrangements will be set forth in the legal agreement and detailed in the PAM.

D.2. Specific additional audit opinions:

128. The auditors are engaged to provide an independent and objective opinion on whether the financial statements present a true and fair view, in all material respects, in accordance with the applicable financial reporting framework. The auditors should also form an opinion from the audit evidence obtained, and clearly express that opinion through a written report. The auditor's opinion is necessary to establish the credibility of the project financial statements. The objective of the audit of the annual project financial statements (APFS) is to enable the auditor to provide opinion(s) covering:

- (i) Use of loan proceeds - to confirm whether the borrower or EA has utilized all proceeds of ADB's loan only for purposes of the project;
- (ii) Compliance with financial covenants: to confirm or otherwise, that the borrower or EA was in compliance with the financial covenants of the loan or grant agreement.

- (iii) Compliance with the imprest fund procedure which includes imprest account(s) and sub-account(s) (where applicable) - to confirm or otherwise, whether the imprest account (and sub-accounts) gives a true and fair view of the receipts collected and payments made and supports imprest and sub-account-liquidations and replenishments during the year.
- (iv) Compliance with the Statement of Expenditure (SOE) procedures (where applicable) - to confirm or otherwise, whether adequate supporting documentation has been maintained to support claims to ADB for reimbursement of expenditures incurred and that the expenditures are eligible for financing under the loan or grant agreement.

D.3. Management Letter

129. ADB requires the EA/IAs to provide a copy to provide a copy of the auditor's Management Letter, together with the APFS/AFS. At the minimum, this should include:

- (i) a general overview of the internal control systems of the project and the EA, or an opinion on the management systems;
- (ii) an identification of material deficiencies or weaknesses in the project or EA/IAs' internal controls over financial reporting or on the overall system of internal control;
- (iii) the auditor's recommendations for improvements or for rectification of identified weaknesses;
- (iv) the client's comments on the findings and recommendations; and
- (v) follow-up action/s or status to previously identified issues and findings, if any.

130. In cases where a management letter is not received for the entity as a whole, then a management letter covering internal controls and procedures associated with the preparation of the project financial statements is required and should be submitted together with the APFS. When significant weaknesses come to attention of the auditor during the course of audit that are not reflected in the audit opinion, they should be reported in a management letter as follows;

- (i) A description of specific internal control weaknesses noted in the financial management and recommendations to resolve/eliminate the internal control weaknesses;
- (ii) Inappropriate accounting policies and practices and effectiveness of the accounting
- (iii) records system in providing useful and timely information for proper management of the program/and project;
- (iv) Issues regarding general compliance with broad covenants on each financing agreement and give comments, if any, on internal and external matters affecting such compliance;
- (v) Report significant matters raised in previous reports which have not been dealt with effectively
- (vi) Any other matters that the auditor considers should be brought to the attention of the borrower.
- (vii) A time bound actions plan that have been agreed with the management to address each of the individual issue, including date of completion, and person(s) responsible for implementation of the action plan.

6. Locations to be Audited:

131. Participating provinces are: Ha Tinh, Thua Tien-Hue, Binh Dinh, Phu Yen, Ninh Thuan and Binh Thuan. The auditors may have to travel to all lower levels to do the audit.

7. Phasing of the Audit:

Month of fiscal year (FY) and report submission

Period	FY start	FY End	Report Submission	Remarks
1	June 2014	Dec 2015	Apr 2016	
2	Jan 2016	Dec 2017	Apr 2018	
Final	Jan 2018	June 2018	Oct 2018	

132. Although the auditing firm will be contracted for the mentioned audit phases (maximum three years per contract), it must submit the financial proposal in US\$ in a format indicating the amount for each financial year independently: (i) If performance is not satisfactory in one year then the client will not be bound for subsequent year's audits; and (ii) If the performance is satisfactory, the auditor may participate in bidding process for the next fiscal years, but the total assignment should be up to 6 years for one project.

8. Auditing Requirements:

133. The audit will be carried out in accordance with International Standards of Auditing including:

- (i) planning and conducting the audit in accordance with a risk based framework with a detailed audit work program which is sufficiently extensive in its coverage of the project's FS to support the opinion given.
- (ii) the auditor will gather evidence and prepare working papers to properly documents the evidence seen in support of the opinion given, sufficient audit evidence will be gathered to substantiate in all material respects the accuracy of the information contained in supporting schedules attached to the FS.
- (iii) the auditor will review and evaluate the system of internal controls in effect, including internal audit procedures, to determine the degree of reliance that may be placed upon them and to determine the extent of testing of actual transactions needed to assure the auditor of the accuracy of the accounting records,
- (iv) the audit coverage will consider the risk of material misstatement(s) as a result of fraud or error. The audit program should include procedures that are designed to provide reasonable assurance that material misstatements (if any) are detected.
- (v) the auditor must obtain an understanding of the design and operation of internal control over compliance with requirements that could have a direct and material financial effect on the funding agreements. The auditor's work in this area is in addition to the consideration of internal control over financial reporting that is part of the FS audit. Specifically, the auditor must obtain an understanding of the internal control over compliance that is sufficient to plan the audit to support a low assessment level of control risk for donor program. The auditor needs to test

the internal control unless the internal control is likely to be ineffective in preventing or detecting noncompliance.

134. The auditor need also review the following:

- (i) ADB financing (and expand to all external financing where ADB is not the only financier) shall be used in accordance with the conditions of the relevant financing agreement, with due attention to economy and efficiency, and only for the purposes for which the financing was provided, as detailed in the supporting documents
- (ii) Counterpart funds shall be provided and used in accordance with the relevant loan agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided;
- (iii) Goods, works and services financed shall be procured in accordance with the relevant financing agreements including specific provisions of the ADB Procurement Policies and Procedures and relevant laws of Borrower. However, in case there are conflicts between ADB policies and procedures with Borrower's relevant laws, ADB policies and procedures will prevail. Fixed assets procured by all financiers shall be reviewed;
- (iv) The expenditures submitted to ADB shall be eligible for financing and all necessary supporting documents, records, and accounts in support of credit withdrawals have been adequately maintained with clear linkages between the books of account and reports presented to ADB;
- (v) Funds disbursed through SOEs shall be utilized for the purposed defined in the funding agreements. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor;
- (vi) Imprest Accounts and sub-accounts, (if used) shall be maintained in accordance with the provisions of the relevant financing agreements and funds disbursed out of the account were used only for the purpose intended in the financing agreement and other supporting documents.

9. Accounting Policies and Changes.

135. The auditor should comment on the project's accounting policies, and confirm the extent to which the agreed project accounting policies have been applied. In particular, the auditor should note the impact on the APFS arising from any material deviations from the agreed accounting standards. The auditor should also comment on any accounting policy changes, either during a financial year, or from one year to another.

10. Compliance with laws, regulations and funding agreements:

136. The auditor should be aware of the unique characteristics of the compliance auditing environment. Governments and not-for-profit organizations differ from commercial enterprises in that they may be subject to diverse compliance requirements including its compliance with financial covenants and financial assurances.

137. Management is responsible for ensuring compliance with relevant laws, regulation and funding agreements. That responsibility encompasses the identification of applicable laws, regulations and funding agreements and the establishment of internal control designed to

provide reasonable assurance that the auditee complies with those laws, regulations and funding agreements.

138. In addition to the opinion on the FSs, the auditor should provide an opinion on whether the auditee complied with laws, regulations and provision of contracts and funding agreements that have a direct and material financial effect on the project financial statements. The auditor should prepare a report with separate schedule of findings and questioned costs. The scope of the audit should also refer to compliance with the Procurement procedures as set out in the funding agreements.

11. Responsibility to Consider Fraud in an Audit:

139. The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and with management. It is important that management, with the oversight of those charged with governance, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. It is the responsibility of those charged with governance of the entity to ensure, through oversight of management, that the entity establishes and maintains internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws, regulations and funding agreements. To do that, management is responsible for establishing a control environment and maintains policies and procedures to assist in achieving the objectives of ensuring the orderly and efficient conduct of the entity's operation.

140. Therefore, in order to ensure that those assertions are addressed in the audit of the entity, it is important that auditors must follow International Standards of Auditing (ISA 240) "The Auditor's Responsibility to consider Fraud in an Audit of Financial Statements.

12. Audit Report

141. The auditor should become familiar with the following documents: Guideline for the financial governance and management of investment projects financed by the Asian Development Bank; and the Loan Disbursement Handbook. The Auditor's reports on the projects financial statements should be prepared in 08 copies (04 in English and 04 in Vietnamese)²¹ and mentions the following matters:

- (i) A title identifying the person or persons to whom the report is addressed;
- (ii) An introductory paragraph identifying the financial statements audited;
- (iii) Separate sections, appropriately headed dealing with respective responsibilities of directors (or equivalent persons),
- (iv) The basis of the Auditor's opinion,
- (v) The Auditor's opinion on the financial statements, SOEs and IAs/SAs;
- (vi) The manuscript or printed signature of the Auditor; and
- (vii) The date of the Auditor's report.

²¹ The auditing firm must take note that audited financial statements, audit report and the management letter prepared by the Auditor, should be received by ADB no later than six months after the end of the accounting period (ie., normally no later than June 30). The Auditor should therefore submit, on a timely basis, audit report, management letter and the relevant documentation to the EAs/IAs to meet this requirement. The EAs/IAs will be responsible for forwarding two copies of the audited project financial statements, audit report and management letter to the ADB.

142. The audit report is required to include separate audit opinions on the Financial Statements (as described in part D. the Scope). This would include at least the following:

- (i) the audit report will state the purpose of the report and its intended use,
- (ii) the audit report will state which/whose generally accepted accounting standards have been applied and indicate the effect of any deviations from those standards,
- (iii) the audit report will state that the audit was conducted in accordance with ISAs,
- (iv) the audit opinion will cover the current period,
- (v) the audit opinion will state whether or not the financial statements presents fairly in accordance with the adopted accounting policies for the project and that the funds were utilized for the purposes defined by the funding agreements,
- (vi) the audit opinion will cover in all material respects the supporting schedules,
- (vii) the auditor should provide an opinion on whether the Project complied with applicable laws, regulations and the Procurement procedures and other provisions of the funding agreements that have a direct and material financial effect on the Project's financial report,
- (viii) the auditor should provide an opinion on the effectiveness of internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as internal control over financial reporting.

13. Available Information and Services to be Provided to the Auditor²²

²² A sample list of requested documents by Auditor:

- A. General project documents
 - 1. Report and Recommendations of the President
 - 2. Loan Agreement
 - 3. Project Administration Manual
 - 4. Documents on appointments of Project Management Units (Director, Deputy Director, Chief Accounts) and delegation of authorities
 - 5. Documents on registration of VAT codes with local authorities
 - 6. Documents on registration of authorised signatories with the banks
 - 7. Annual budget and workplans, including all revisions, if any
 - 8. Annual procurement plans, if any
 - 9. Quarterly and annual progress reports
 - 10. Comparison between actual expenses and budgets, if any, prepared by Project management,
 - 11. A summary of key financial covenants as indicated in the Loan/Financing Agreements and the self-assessment of the Project management on these financial covenants
 - 12. Copies of all meeting minutes of Project Steering Committee and Project management unit, if any
 - 13. Internal audit reports, prior year audited reports and management letter, if any External review reports.

- B. Accounting books/records
 - 1. Annual Financial Statements for the year subject to audit, including the financial statements of the Central PMU and all PPMU (Summary sources of funds, Summary of expenditures, Balance sheet, IA statement...etc).
 - 2. Accounting books and all original supporting documents (hard and soft copies)
 - 3. Confirmations of fund received from the ADB during the year
 - 4. Disbursements and payment vouchers with original supporting documentation
 - 5. Bank statements, cash count minutes, periodic bank reconciliation documents (signed by authorized personnel of the Project)
 - 6. Reports and supporting documents for counterpart expenditure for the year subject to audit
 - 7. Documents on monthly VAT declaration and periodic VAT refund claims, if any

- (i) The auditor should have access to all legal documents, correspondences, and any other information associated with the project and deemed necessary by the auditor. The auditor will also obtain confirmation of amounts disbursed and outstanding at ADB. Available information should include copies of the relevant: project appraisal document; financing agreement; financial management assessment reports; supervision mission reports and implementation status reports.
- (ii) The Auditor shall have the right of access to banks and depositories, consultants, contractors and other persons or firms engaged by the project. In case access has been restricted, the auditor must note this in the management letter.
- (iii) ADB can request access to the auditors unedited audit working papers. If necessary, the auditing company can be requested, free of charge, to participate in a wrap-up session for the Ministry of Finance (MOF), the EA/IAs and ADB to share common findings across projects being audited and provide recommendations for addressing bottlenecks in preparation for the next audit.

14. Services to be Provided to the Auditor:

143. The following services will be provided by the EA/IAs without cost to the Auditor. The PCU should coordinate with the EA/IAs and the Auditor to ensure the following services are adequately and timely provided to the Auditor:

- (i) **Data:** Provide the Auditor with access to all available data, information, legal documents, correspondence and any other information considered necessary by the Auditor and shall be returned at the completion of the assignment or earlier, or as may be requested by the EA/IAs.
- (ii) **Access:** The PCU and the EA will arrange for access by the Auditor to the sites which the Auditor deems necessary to visit and conduct investigations in connection with performing their duties. Access to the key officials in the Government, the project provinces and agencies concerned with subjects related to the assignment will also be arranged by the EA/IAs, as appropriate.

15. Auditor Qualification

144. Please refer to: "Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers" - Part 1: Introduction and Policies for further instruction on general consultant

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- 8. List of outstanding advances at the year end and the related aging report, if any. The total of this list should be reconciled to the advances of the balance sheet
 - 9. Summary of procurement contracts signed and ongoing during the year
 - 10. Bidding documents (if any)
 - 11. Consultant contracts (local and international), minutes of evaluation board, consultant reports (if any)
 - 12. Record of training courses, attendance lists and course evaluations (if any)
 - 13. Fixed asset registers
 - 14. Minutes recording annual physical checking of equipment (including all minutes completed by PPMU)
 - 15. Logbooks for vehicles (if any)
 - 16. Access to Program's/ Projects' computers and other office equipment under the supervision of responsible Programme/ Project personnel (strictly for audit purposes only)
- C. Personnel
- 1. List of all Project's contracted staff and their related recruitment documents, personnel records
 - 2. Documents on PIT, Social Insurance and Health Insurance calculations and monthly declaration and payments

qualification. The following are the requirements on the qualification of auditing firms for auditing ADB funded projects in Viet Nam. It must be authorized to practice in Viet Nam and be capable of applying the agreed auditing standards. The detailed requirements on the qualification of auditing company are:

- (i) Be a legal entity with business license granted by the competent authority, as requested by Vietnamese law;
- (ii) Must be impartial and independent from all aspects of management or financial interests in the EA/IA being audited.
- (iii) Be included in the most updated list of authorized auditing companies and auditors which is approved by Ministry of Finance and published on website: www.mof.gov.vn;
- (iv) Have adequate staff, with appropriate professional qualifications and suitable experience in finance/financial management in Official Development Assistance (ODA) funded projects or Government projects/ programs, including experience in auditing the Enterprise Financial system (EFS) comparable in nature, size and complexity to the entity whose audit they are to undertake;
- (v) Notify and get written endorsement of the EA every time a staff member is substituted; and
- (vi) Subcontracting of audit services is not permitted.

145. The following are the requirements on the qualification of Individual auditor for each proposed position in the firm. The contractor will need to provide audit director, audit manager and at least 3 audit teams. Each team will include 01 audit manager, 01 team leader, and 03 audit support staffs. General requirements on the Qualification of Individuals are as follows: Auditors shall hold relevant professional qualifications with in-depth experience in conducting audits of project FSs. Auditors should hold a fair opinion on, and be independent of, control of the submitting entity and the employer by whom they were appointed. The auditor should follow procedures and methodology that conform to International Standards on Auditing (ISA). The following are the outline TOR of each position:

a. N.1. Audit Director (AD) (2 person-months, intermittent).

146. As head of the audit team, the Director will be responsible for:

- (i) Keeping lines of communication open with staff and clients.
- (ii) Ability to manage within budgetary and time constraints while providing a high-level of client satisfaction
- (iii) Anticipating and addressing client concerns and escalating problems as they arise.
- (iv) Keeping abreast of latest developments as they affect GAAP and the Firm's standards and policies
- (v) Developing an understanding of client's business and becoming a "functional expert" in the area.

b. Minimum Qualifications/Experience:

- (i) A university graduate (preferably with a post-graduate degree) in Accounting, finance, Certified auditor certificate by the MOF or international certificate (ACCA or other recognized international accounting/ auditing certificate),
- (ii) At least 15 years or above experience working in auditing services; At least 4 year experience in management of auditing teams; and at least 8 years actual working years in auditing since being granted with Vietnamese or international auditor certificate;
- (iii) Should have worked as Audit Director for at least 3 audit contracts on ADB, the World Bank or other international donors funded projects;
- (iv) Fluent English is compulsory;
- (v) Experience working for a Big 4 or large regional accounting firm is a plus.

c. N.2. Audit Managers (AM) (4 person-months, intermittent).

147. The Manager will be responsible for:

- (i) Receive the instructional directives from Directors and give detailed guidance to all team members;
- (ii) Monitor the audit fieldwork of engagement team, reviews staff work and ensure that it meet professional standards and the internal audit department's guidelines;
- (iii) Take responsibility for the quality of the audit before submitting to Director;
- (iv) To be the contact point with Client's Management and Chief Accountant regarding key issues identified, audit adjustments; and
- (v) Monitor the progress of the audit and monitor the adherence to the deadline committed with Client.

d. Minimum Qualifications/Experience:

- (i) A university graduate (preferably with a post-graduate degree) in Accounting, finance, Certified auditor certificate by the MOF or international certificate (ACCA or other recognized international accounting/ auditing certificate),
- (ii) At least 10 years or above experience working in auditing services; Audit seniors who are the team leader shall have 5 years' experience in their profession;
- (iii) Audit experience for ADB/World Bank funded projects in Vietnam would be an advantage;
- (iv) Ability to work within budgetary and time constraints while providing a high-level of client satisfaction;
- (v) Certified auditor certificate by the MOF or international certificate (ACCA or other recognized international accounting/ auditing certificate).

e. N.3. Senior Auditors/ Team leaders: (SA/TL) (12 person-months, intermittent)

148. The Senior Auditors will be responsible for:

- (i) Follow the instructions from Director and Engagement Manager;
- (ii) Keep AD and AM being updated with the key issues or key audit adjustments day to day;
- (iii) Being responsible for the audit quality of the whole team in front of AM;

- (iv) Being responsible for the compliance with auditing firm quality standards and procedures and with the requirements of Clients/ Projects.

f. Minimum Qualifications/Experience:

- (i) Senior Auditors are required to be graduates of a recognized university in the fields of Commerce, Economics, Accounting and Auditing or equivalent;
- (ii) At least 05 years or above experience working in auditing services;
- (iii) Preferably to whom holding Certified auditor certificate by the MOF or international certificate (ACCA or other recognized international accounting/ auditing certificate);
- (iv) Preferably should have worked as Auditor for audit contracts on ADB's, the World Bank's on other international donors' funded projects; and
- (v) English proficiency would be preferable.

g. N.4. Auditor (36 person-months, intermittent):

149. The Auditors will be responsible for:

- (i) Implementing professional work, auditing assigned sections in the agencies, be responsible for the data and issues related to the auditing activities.
- (ii) Supporting to release the official report; draft minute of audit; report to the Team leader of the rising issues related to the audit in the agencies.

h. Minimum Qualifications/Experience:

- (i) A university graduate (preferably in recognized university in the fields of Commerce, Economics, Accounting and Auditing or equivalent);
- (ii) At least 03 years or above experience working in auditing services Preferably to whom holding Certified auditor certificate by the MOF or international certificate (ACCA or other recognized international accounting/ auditing certificate);
- (iii) Should have worked as Auditor for audit contracts on ADB's, the World Bank's on other international donors' funded projects would be preferable).
- (iv) English proficiency would be preferable.

16. Involvement of Technical Experts:

150. Depending on the complexity of procurement activities, the auditor may consider involving technical experts during the audit engagement. In cases where such experts are involved, the auditor is expected to comply with provisions of International Standard on Auditing 620: Using the Work of an Expert. Consideration to use of the work of experts should be brought to the early attention of the borrower and the ADB for mutual agreement and appropriate guidance.

17. Reporting Relationships:

151. The audit services will be contracted by EAs/IAs or project management units. The Auditor shall report to: the Project manager and Chief Accountant. The Auditor should maintain and file the work papers and provide them to ADB and/or the Government when required.

E. Contract and Procurement Mode

152. The procurement method agreed for auditor recruitment will follow “Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers” (available at: <http://www.adb.org/documents/guidelines-use-consultants-asian-development-bank-and-its-borrowers>)

154. The contract will be on lump sum in accordance with annual based performance.

155. In order to meet with the working plan and schedule report delivery as requested, the auditing firm must submit a Description of Approach, Methodology and Work Plan for Performing the Assignment including:

- (i) **Technical Approach and Methodology:** explain the understanding of the objectives of the assignment, approach to the services, methodology for carrying out the activities and obtaining the expected output, and the degree of detail of such output. Should also highlight the problems being addressed and their importance, and explain the technical approach would adopt to address such problems. Explain the methodologies you propose to adopt and highlight the compatibility of those methodologies with the proposed approach.
- (ii) **Work Plan.** Propose the main activities of the assignment, their content and duration, phasing and interrelations, milestones (including interim approvals by the Client), and delivery dates of the reports. The proposed work plan should be consistent with the technical approach and methodology, showing understanding of the TOR and ability to translate them into a feasible working plan. A list of the final documents, including reports, drawings, and tables to be delivered as final output, should be included here. The work plan should be consistent with the Work Schedule
- (iii) **Organization and Staffing.** Propose the structure and composition of your team. Should list the main disciplines of the assignment, the key expert responsible, and proposed technical and support staff. Submitted Document must indicate: How many Team Leaders and Senior auditors/auditors allocated for the assigned audit with suitable qualification and experience by each position. For each audit period, how many are expected person-months to fulfill auditing works of each auditor position: for example Audit Director: (how many) person-months; Team Leader: (how many) person-months; ...etc. The person-months are only as an estimate since the auditing company will be recruited on lump sum based performance for each annual package. The auditing company should provide to the Government project management unit details in the followings: working schedule, management and execution method together with allocated man power implementing auditing activities in project’s financial reports for a good contract performance.

F. Terms of Reference of Baseline and Impact assessment consultant: To be developed during the implementation of the additional financing period.

G. Terms of Reference of Subproject Completion Auditor:

1. Objective of the Assignment

156. The consulting firm will carry out the independent Audit of different completed subprojects in different participating provinces under this TOR.

2. Scope of the Assignment

157. To meet the objective of the assignment, the scope of the assignment includes, inter alia, the following:

- (i) In the testing phase, the auditor would carry out the audit work according to the requirements, guidelines and instructions by the Ministry of Finance on the process of verifying final accounts of investment. The examination will focus on:

Legal Documents of Construction Project under Audit

- a. Review and check the list of written decisions and resolutions on project investment and legal documents realized during the construction process against relevant statutory regulations.
 - b. Review the validity of project related documents with regards to the making, approval, authorization and type of the documents.
 - c. Examine the legality and observance of bid regulations and service contracts entered into with consultants, constructors, suppliers and installers.
- (ii) Upon examination of a project's legal documents, the auditor would comment on its compliance with the provisions of law on construction investment.

Investment Funds

- a. Review and check the structure and the amount of funds realized or settled through the years by sources to the approved budget.
- b. Verify the appropriate use of funds against the funds structure authorized in investment decisions.
- c. Examine whether the movement of the project's investment funds is in line with established regulation and authorization.

158. Upon investigating a construction project's sources of fund, the auditor would render an opinion on the allocation, settlement, lending and use of these funding sources.

Investment Costs

- a. Verify whether finalized construction and installation costs are in agreement with the approved estimates, testing minutes, as-built drawings, variation reports; assess the compliance with statutory regulations on the application of price indexes, costs norms, inflation rates, surcharges (for appointed contractors), the application of tender prices (for tender contractors) and the observance of rules on constructors selection (appointed or tender); and examine whether the types of used materials are those named in respective construction designs, estimates, and bid documents.

- b. Verify whether equipment costs are in agreement with the quantities and amounts specified in supply contracts, purchase invoices, payment vouchers, and actual deliveries; determine whether such incidental costs as transportation, custody, insurance, maintenance, etc are relevant to service contracts, invoices, vouchers and in accordance with related regulations; and whether established regulations on suppliers selection (appointed or tendered) are complied with.
- c. Verify whether other costs are in agreement with the approved estimates, and in accordance with statutorily set indexes, norms and standards; and whether established regulations on suppliers' selection (appointed or tender) are complied with.

Investment Items Disqualified as Part of Constructed Assets

- a. Identify the portion of investment costs which is disqualified as part of the constructed assets as declined by Employer entity under current statutory regulations in terms of substances, causes, and basis for the disqualification of these costs and the authorization of their exclusion from the constructed assets.
- b. Review the costs of damage caused on account of unforeseeable circumstances which are subject to exclusion from the costs of constructed assets in terms of substances and amounts as measured and quantified by insurance companies for write-off against the investment costs (where the assets are underwritten).
- c. Investigate the amount of damage given up as resolved by competent authorities for exclusion from the cost of constructed assets in terms of substances and amounts against the relevant resolution; and the authorization by competent agencies for exclusion of the amount from the constructed assets.

Costs of Constructed Assets

- a. Check the listings and costs of constructed assets, including fixed and current items which are handed over to user or custodian entities, to hand-over minutes.
- b. Review the allocation of other costs to respective assets.
- c. Verify investment costs from which fixed assets and current assets are constituted.
- d. Investigate the conversion of the constructed assets costs in reference to the price ruling on the hand-over date as advised by the Ministry of Transport in the case of a project requiring an investment funds conversion.

Receivables, Payables and Materials Left Over

- a. Verify payments made to respective contractors by items of work and cost to date, hereby to determine a listing of accounts due to and from respective contractors.

- b. Test balances of cash and bank and receipts to be handed over to the State budget.
- c. Quantify and value left over materials and equipment.
- d. Quantify and value items in use for management purposes.

3. Client's Input to consultants.

159. Orientation to key professionals regarding working approach of the subprojects, relevant information and official reports will be provided by the CPMU. The CPMU will not provide other expenses such as office space and services expenses (office rent, Telephone, Fax copying etc.)

4. Personnel requirements

160. The contractor will need to provide at least 3 audit teams. Each team will include 01 leader and 02 audit support staffs. The audit teams must have good understanding of audit and the law, as well as good knowledge about audit of final accounts of investment. It is required that all members of each team have good knowledge about audit of final accounts of investment, especially for ODA infrastructure works.

No.	Position	Input (person-month)
1	Team leader 1	12
2	Team leader 2	12
3	Team leader 3	12
4	Audit support staff	10
5	Audit support staff	10
6	Audit support staff	10
7	Audit support staff	10
8	Audit support staff	10
9	Audit support staff	10
Total		96

(i) Audit team leader (12 person-months):

- a. Qualifications
Audit team leader must have qualification of at least university degree with specialization in finance, accounting, audit, or infrastructure field such as irrigation, road, or construction, etc; He/she must have auditor's certificate as requested by the Ministry of Finance.
- b. Working experience
He/she must have a minimum of 5 years experience in field of audit of final accounts of investment.
- c. Necessary Skills

He/she must ensure capacity for independent working and social norm for moral and professional ethics.

He/she must have knowledge of Viet Nam's regulations and ODA implementation guidelines.

He/she must have knowledge of international donors and ADB's relevant policies.

He/she must have good command of computers and specialized softwares.

(ii) Audit Support Staff (10 person-months):

a. Qualifications

Audit Support Staff must have qualification of at least university degree with specialization in finance, accounting, audit, or infrastructure field such as irrigation, road, or construction, etc;

b. Working Experience

He/she must have a minimum of 3 years experience in field of audit of final accounts of investment.

c. Necessary Skills

He/she must have knowledge of Viet Nam's regulations and ODA implementation guidelines.

He/she must have knowledge of international donors's relevant policies, especially the ADB's.

He/she must have good command of computers and specialized softwares.

5. Selection Method

161. The audit service will be selected on the basis of the Asian Development Bank's "Guidelines on use of Consultants by the Bank and its Borrowers" by using Fixed-budget selection (FBS).

6. Reporting and Deliverables

162. The consulting firm is required to submit to the CPMU their reports including Quarterly reports and subproject audit reports. Details are as follows:

No.	Report title	Quantity		Deadline for submission	Report Contents
		Original	Copy		
Overall reports (These reports will only be used by the CPMU for overall management)					
1	Inception report	2	1	To be submitted 2 weeks after the signing of the contract	The report should include (i) preliminary findings based on the desk study/review;(ii) a strategy to carry out the assessment/evaluation clearly specifying inputs of the key staff and how the field teams are planned to be trained and mobilized;(iii) a work program with the list of selected sub-projects and field visit schedule.
2	Quarterly report	2	1	To be submitted	The report should include, amongst others, description of the finding in

				every 3 continuous working months	areas of (i) performances of the sub-projects (ii) effectiveness of the capacity building approaches, processes/procedures and guidelines; (iii) key issues, lessons learnt and recommendations to CPMU to refine policies, procedures, etc for improvements in the future, and (iv) specific measures to be taken to improve overall operational efficiency/effectiveness.
3	Final report	2	1	To be submitted upon completion of all audit reports for all subprojects under this package	The report should include, amongst others, description of the finding in areas of (i) performances of the sub-projects (ii) effectiveness of the capacity building approaches, processes/procedures and guidelines; (iii) key issues, lessons learnt and recommendations to CPMU to refine policies, procedures, etc for improvements in the future, and (iv) specific measures to be taken to improve overall operational efficiency/effectiveness.
Subproject Audit Reports (These reports will be handed over to PPMUs of the respective audited subprojects by the CPMU)					
1	Individual audit reports for all subprojects of this package	4 originals for each subproject		To be submitted two weeks after completion of the field work	The reports should include the findings and key issues/lessons identified from the field surveys for each individual subproject. The final reports will be handed over to PPMUs of the respective audited subprojects by the CPMU.

163. The Consultant is recommended to follow a standard outline of the report, which should include four main sections (i) Introduction (ii) Analysis of Findings (iii) Issues/Learnings, and (iv) Conclusion and Recommendations. In addition, appropriate appendices/annexes should be provided to support the findings. The report should also have a concise but clear Executive Summary highlighting the key findings, issues/learnings, and recommendation of the study.

164. The reports should be comprehensive, clear and concise and should be written in simple language. Colour photographs should be included to aid explanations, wherever possible, especially when explaining the structures of the system.

165. Once the reports are finalized, the reports should be translated into English. Furthermore, the Consultant has to submit an electronic version of Final reports. The completed questionnaires and checklists should be submitted to the CPMU. It will be the responsibility of the Consultant to clarify any matter related to the questionnaires, information.

VII. SAFEGUARDS

A. The EARF and the Subproject EMPs

166. Arrangements for implementing the Environmental Assessment and Review Framework (EARF) and the Subproject Environmental Management Plans (EMPs). An EARF has been prepared during project preparation. Essentially no major environmental impacts are expected since (i) most of the works entail the rehabilitation and upgrading of existing infrastructure; (ii) all works are small to medium scale and (iii) any subprojects assessed as likely to entail Category A impacts are automatically dropped from the project scope during initial screening.

167. Nonetheless, an initial environmental assessment of each proposed subproject will be undertaken and where considered necessary an IEE and EMP will be prepared. IEEs will be prepared for each subproject classed as Category B²³ in accordance with the EARF. The CPMUs will be responsible for procuring consulting services to prepare IEEs and for gaining approval for them from appropriate agency. Each IEE will contain a subproject EMP detailing mitigation and monitoring measures to be taken, by design teams, contractors, provincial departments and companies who manage operation and maintenance, as appropriate.

168. The PPC, through the PPMU will have responsibility for ensuring that all design and construction phase mitigation measures are implemented. The first IEE produced for each province will be submitted to ADB for review and approval prior to finalization of the subproject feasibility study. Subsequent IEEs will be subject to post-approval unless subproject costs exceed \$3.0 million.

169. An EMP will consist of environmental effects and compliance monitoring. The main monitoring parameters are surface water and soil quality. CSBs to be set up in each project commune will facilitate environmental monitoring and will be trained to carry out visual monitoring to report any environmental damage to respective PPMUs through district PCs so that PPMUs can assess and take necessary actions in a timely manner. Environmental monitoring results will be recorded and reported as part of the quarterly progress report as well as semi-annual safeguard monitoring report. Detailed responsibilities are described in Table 5.

Table 2: EMP Implementation Arrangements

Organization	Roles and Responsibilities		
	Subproject Preparation	Subproject Implementation	Subproject Operation
CPMU	Provide advice to PPMU Safeguards Officer on IEE/PEC and IEE/EIAR preparation Review and provide "no-objection" on IEEs or IEE/EIARs submitted by PPMUs	Provide advice to PPMU Safeguards Officer on EMP implementation during construction Monitor progress during construction Consolidate PPMU environmental reporting	Provide advice to PPMU Safeguards Officer on EMP implementation during first year of operation Monitor progress during first year of operation Consolidate PPMU environmental reporting
PPC	Sign-off on environmental	Project owner with ultimate	Project owner with

²³ Subprojects classified as Category C will require due diligence to confirm the lack of any likely environmental impact.

Organization	Roles and Responsibilities		
	Subproject Preparation	Subproject Implementation	Subproject Operation
	assessment documents prior to submission for approval Approval of any subprojects requiring EIAR that are not subject to MONRE approval	responsibility for environmental performance of subproject during construction	responsibility for operation stage environmental performance including implementation of EMP during operation
DONRE	Provide advice and guidance on environmental issues as required during subproject preparation	Monitoring implementation of EMP through their own internal monitoring system	Monitoring implementation of EMP through their own internal monitoring system
PPMU	Engage consultant and have overall responsibility for IEE or IEE/EIAR preparation and submission for approval Ensure staff are adequately trained in environmental issues	Responsibility for EMP implementation during pre-construction and construction Ensure that contract specifications and bud documents include environmental requirements Undertake inspections and monitoring of environmental issues during construction Coordinate environmental monitoring reporting to CPMU	Responsibility for EMP implementation during first year of operation Undertake inspections and monitoring of environmental issues during first year of operation Assist project owners to incorporate environmental requirements into infrastructure O&M procedures
District PCs	Assist in liaising with communities and providing relevant data to PPMU	Monitoring implementation of EMP through their own internal monitoring system	Monitoring implementation of EMP through their own internal monitoring system
Commune Supervision Boards (CSBs) and local community members ²⁴	Involvement in consultation and participation activities to identify and develop subprojects.	Involvement in participatory environmental monitoring.	Involvement in participatory environmental monitoring.
Construction contractor	n/a	Prepare detailed Site EMP to meet the Subproject EMP general requirements. Allocate adequate resources to meet the requirements and obligations of Site EMP.	n/a

170. In terms of resources, the project budget includes a safeguards review and quality assurance amount of \$347,000 (base cost). The costs of implementing the EMP including public consultation, monitoring and mitigation will be derived from this budget. In addition, a national environmental specialist (26 person months) is included in the loan implementation consultancy to assist with the implementation of the EMP and to ensure that its requirements are met.

²⁴ CSBs have been established under Decree 80 Regulation for Participatory Investment Supervision. Article 8 of Decree 80 provides the community with opportunities to inspect compliance, monitor implementation and evaluate the results of investments in the commune, including environmental impacts.

B. Resettlement Plans

171. The development and improvement of the subprojects to be undertaken under the project are unlikely to trigger major resettlement impacts. Practically, very minor resettlement impacts are expected because the majority of infrastructure, irrigation channels, and roads will be improved along existing rights of way. As a result, the main concern will be the provision for minor land acquisition, compensation for roadside trees, crops or small structures which maybe affected within the right of way. The absence of major resettlement issues was one of the eligibility criteria used in selecting subprojects. The Government and ADB have agreed on a resettlement framework along with procedures and an outline format for a resettlement plan²⁵. As outlined in the framework responsibilities for its implementation are as follows:

1. Institutional Features at Provincial Level

172. The Implementing Agency (IA) will be the Provincial People's Committee (PPC). The PPC will be responsible for issuing all decisions and approvals relating to the implementation of RPs including those relating to its formal adoption, unit compensation costs, notices and approvals for updated RPs, information disclosure, land acquisition and compensation payments, allocations of replacement land (if applicable) and grievance redress. The PPC will also be responsible for establishing the Land Valuation Council and allocation of responsibilities to district-based organizations.

173. PPC will authorize DARD to be the Owner of the land acquisition, resettlement and compensation component in this Project. Within its authorization, DARD established the Provincial Project Management Unit (PPMU) for implementation of the Project components and to undertake the internal monitoring on implementation of updated RPs for the Project.

174. The PPMU will oversee all activities of District Resettlement Committees (DRCs) in regard to the implementation of the RPs. The PPMU will also be responsible for:

- (i) Preparing, updating, and supervising RP implementation of project components;
- (ii) Guiding DRC to implement all resettlement activities in compliance with the approved RPs; and resolving any mistakes or shortcomings identified by internal monitoring to ensure that the objectives of the RPs are met; and otherwise, to provide appropriate technical, financial and equipment supports to DRC and Commune-level Inventory Working Groups.
- (iii) Conducting, in combination with DRCs and CPCs, information campaigns and stakeholder consultation in accordance with established project guidelines;
- (iv) Coordinating with other line agencies to ensure delivery of restoration and rehabilitation measures to APs;
- (v) Implementing internal resettlement monitoring, establishing and maintaining AP databases for each component in accordance with established project procedures and providing regular reports to CPMO;
- (vi) Implementing prompt corrective actions in response to internal monitoring.

²⁵ Resettlement Framework (Appendix 14)

2. District and Commune Levels

175. The Peoples' Committees of the District concerned will establish District Resettlement Committees (DRCs) to implement the RPs; Direct CPCs in combination with DRCs to implement RPs; resolving complaints and grievances of APs.

176. DRC in combination with PPMUCPCs and under the direction of the PPMU, will carry out resettlement activities of the project, in particular:

- (i) Conducting dissemination of the Public Information Brochure and other publicity material to ensure that APs are aware of the LAR process.
- (ii) Planning and carrying out the DMS and the disbursement of compensation payments.
- (iii) Identifying severely affected and vulnerable APs and the planning and implementing rehabilitation measures for these APs.
- (iv) Supporting for identifying any resettlement sites and new farming land for APs who cannot remain their present location.
- (v) Assisting DPC in the resolution of AP grievances.

177. The CPC will assist the DRC in their resettlement tasks. Specifically, the CPC will be responsible for the following:

- (i) In cooperation with District level and with commune level local mass organizations, mobilize people who will be acquired to implement the compensation, assistance and settlement policy according to approved RP;
- (ii) Co-operate with DRC and Working groups to disclose project information and resettlement policy; notify and publicize all resettlement options on compensation, assistance and resettlement which are approved by DPC;
- (iii) Assign Commune officials to assist the DRC in implementation of resettlement activities;
- (iv) Identify replacement land for affected households;
- (v) Sign the Agreement Compensation Forms along with the affected households;
- (vi) Assist in the resolution of grievances.

3. Implementation

178. The implementation process is as follows:

- (i) Establishment of the DRCs. The PPC will establish DRCs for the projects, and entrust tasks to relevant agencies and entities.
- (ii) Land clearance/boundary setting for the Project. After receiving the PPC and DPCs in revoking land and handing over land to the RP-PMU for implementing the projects, RP-PMU will cooperate with the provincial Department of Natural Resources, Environment and the specialized cadastral agency having a contract with RP-PMU to determine the project land clearance red line and setting out boundary at the field, handing over land to implement resettlement tasks for the displaced persons, in order to clear land for the project. Relevant Offices of Natural Resources, Environment of districts and Commune People's Committees of the project will assign their staff working as members of DRCs to implement this task.

- (iii) Information campaign before DMS. According to Decree No.181/2004/ND-CP, before land acquisition, within 90 days in case of agricultural land and 180 days in case of non-agricultural land, the DRCS must send written notices to affected land owners in respect of reasons for land acquisition, time and plan of displacement, resettlement options, land clearance and resettlement.
- (iv) Before census and detailed measurement survey, RP-PMU in cooperation with local authorities of districts and communes will provide project information to residents in the project area. Information will be broadcasted via the public address system of the locality in combination with other multi-media such as radios, press, television, brochures or letters delivered to households to be open posted in public areas.
- (v) Orientation meetings will be held in the project affected commune to notify the affected community about the scope and scale of the project, impacts, policies and rights for all kinds of damages, implementation schedule, responsibilities for organization, and complaint mechanism. Brochures including (images, photos or books) related to project implementation will be prepared and delivered to all affected communes in the meetings.
- (vi) Conduct of Replacement Cost Survey by a Qualified Agency. A qualified agency will be engaged by CPMU to assist PPC in determining the current market price under normal condition of land and non-land assets. This activity will be carried out within the resettlement consultancy contract.
- (vii) If there is a significant difference between compensation price and market price as per replacement cost survey carried out by a qualified agency, PPC will update the compensation unit price according to regulations and implementation guidance of Decree No.197/2004/CP and 17/2006/ND-CP.
- (viii) Detailed Measurement Survey. DMS will be undertaken once detailed design is finalized. These surveys will be the basis for the preparation of compensation plan and for preparation of the RPs.
- (ix) Preparation of Compensation Plan. DRCs are responsible for applying prices and preparing compensation tables for each affected commune. RP-PMU and People's Committees of districts will appraise these tables in respect of prices, quantities of affected assets, rights that the displaced persons are entitled to, etc. before notifying each commune for review and comments. All tables of compensation price application must be checked and signed by the displaced persons to prove their consensus. RP-PMU and DRCs will submit the proposed unit rates as per result of the replacement cost survey to PPC for review and approval. The unit rates to be applied will be based on the approved unit rates of PPC.
- (x) Submission of RP and ADB concurrence. RP-PMU will prepare Updated Resettlement Plan, disclose key information of the Updated RP to the displaced persons and submit the same to ADB for review and concurrence.
- (xi) RP Uploading on ADB website. Once the RP is acceptable to ADB, the RP will be uploaded on the ADB website.
- (xii) Implementation of RP. Compensation and assistance will be paid directly to the APs under the supervision of representatives of DCARBs, commune authorities and representatives of the displaced persons. Income restoration and relocation plan will be implemented in close consultation with the APs and concerned agencies.

179. In terms of resourced dedicated to land acquisition and resettlement, ADB loan proceeds are provisioned for a sum of up to \$2.3 million for resettlement-related expenses.

C. Ethnic Minority Development Framework (EMDF)

180. An ethnic minorities' development framework has been prepared in the project preparation. In the assessment of the priority subprojects proposed by the project provinces, ethnic minorities generally varied from less than 1% to 24%. Impacts on ethnic minorities in these areas are expected to be overwhelmingly positive since the subprojects will be aimed at overall economic and social improvement of the total population. EMDPs will be prepared, as and when required, following the guidelines outlined in the ethnic minority development framework.

181. There will be no changing in the EM farming and livelihood's system as well as their cultural practice and ancestral domains. Any possible negative impact such as loss of temporary crops and livelihoods will be avoided if possible or will be compensated accordingly. Impacts on ethnic minorities in these areas are expected to be overwhelmingly positive since the subprojects will be aimed at overall economic and social improvement of the total population.

182. Specific measures to deal with potential negative impacts and to encourage participation and contribution of EM based on their unique social and cultural characteristics that may require customized approaches and interventions than when working with the Kinh group, and that the general design of the sub-projects may limit or prevent EM from participating in and/or benefiting in the sub-project activities. This has been agreed by Government and ADB to guide the preparation of Ethnic Minority Development Plan (EMDP) for potential category B sub-projects based on SPS 2009. For these types of sub-projects, EMDP has to be approved by ADB before the sub-project is being implemented.

VIII. GENDER AND SOCIAL DIMENSIONS

183. The Project's gender classification is "Effective Gender Mainstreaming" (EGM). A Gender Action Plan (GAP) has been prepared, based on the gender analysis in sub-project sample sites, to promote gender inclusive design of the Project and to ensure involvement of women in PRI activities. The GAP will ensure that women have full and equitable access to Project resources, information and benefit. The GAP is in line with Government of Viet Nam gender equality law and ADB Policy on Gender and Development (1998).

184. Implementation arrangements for the Gender Action Plan is as follows. CPMU and PPMUs will be responsible for implementation of GAP and will appoint Safeguard Officers with responsibility as gender focal point(s) ensuring annual planning, implementation and M&E of GAP as part of project activities. The CPMU will recruit gender consultants to provide technical assistance to CPMU and PPMUs in implementation and M&E and reporting of GAP and related DMF targets. They will support PPMUs in preparing PPMUs GAPs. The PPMUs will work with the relevant provincial, district and commune agencies (Vietnam Women's Union, Agriculture extension agencies, Committee for Ethnic Minority Affairs and NGOs, etc.) to implement and coordinate training, capacity building, and HIV/AIDs awareness raising and road safety activities.

185. Implementation of the Gender Action Plan will be overseen by MARD's project steering committee which will include MARD's Committee for the Advancement of Women's

representative. Budget for GAP implementation will be included as part of (i) training budgets for capacity building on PRI and gender sensitization activities at central and provincial level; (ii) gender consultants in consultancy package; (iii) NGOs work (on road and dam safety education and HIV/AIDS education); and (iv) each subproject with the amount of \$6,500 for design consultation with community people, including women only groups, and PRI-related extension and pro-poor training.

186. The Project Gender Action Plan Overview is shown in the Box below:

Gender Action Plan Overview

Project Component	Gender Actions
<p>Output 1: A significant amount of rural an coastal infrastructure in the project province I rehabilitate, upgraded and maintained.</p>	<ul style="list-style-type: none"> - At least 40% women participants in consultation meetings, and women consulted separately and jointly during the subproject identification, prioritization and implementation ; - Women to be consulted specifically on needs and constraints related to rural infrastructures planning and development to identify and mitigate impacts on women in period of the sub-project preparation; - Contractors will prioritize the use of local unskilled labor for civil works and , at least 30% will be female; - At least 30% of participants of Community Supervision Boards are women; - Equal pay for men and women for work of equal type; - Meetings to be held at times and in locations convenient for women and in languages understood by ethnic minority communities; - All Female headed households will have equitable access to water for irrigation.
<p>Output 2: Improved capacities of national and provincial staff in technical design an farmer in agricultural production techniques</p>	<ul style="list-style-type: none"> - At least 40% of farmers receiving agricultural training are women. - Of the 130 provincial staff trained in technical designs, and participatory techniques,30% are women - Gender mainstreaming training for local levels (District and communal level and water user groups); - Leadership and skills training for local levels (District and communal level and water user groups) in subproject area with a view to empowering women, improving their confidence and increasing their participation in management of community based organizations including CSB, WUO, and Women Union; - All community/ beneficiary level trainings will respond to female as well as male farmers needs (designed based on needs identification with women and men, to be held at times and in locations convenient for women, to be conducted in languages understood by ethnic minority communities and with participation targets informed to both groups clearly);
<p>Output 3: Improved project management skills for infrastructure development.</p>	<ul style="list-style-type: none"> - 30% of 300 provincial, district and commune level staff trained in project management, supervision and safeguards are women - About 40 central and provincial level procurement staff (15% of them being women) trained in ADB new procurement procedures and requirements - Central Project Management Unit (CPMU) and Provincial Project Management Units (PPMUs) will facilitate communities' access to at least four (4) organizations active in the areas for social rural infrastructure services; - PPMU GAP will be prepared and introduced to each sub-project's stakeholders for implementation of targets based on project overall GAP framework; - Ensure that all CPMU and PPMU staff are provided with gender training and roles and responsibility trainings on implementing the GAP; - Annual GAP review, planning and budgeting workshops will be conducted for CPMU and PPMUs' key concerned staff;

	- Ensure that gender indicators are integrated in the project M&E framework: CPMU and PPMUs will develop and maintain sex-disaggregated and ethnicity-disaggregated M&E system for data collection and reporting on project targets (GAP and DMF) to ADB regularly.
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ADB = Asian Development Bank, CPMU = central project management unit, , DMF = Design and Monitoring Framework, EM = ethnic minorities, FFH = female-headed households, FS = feasibility study, GAP = gender action plan, LURC = Land use rights certification, MARD = Ministry of Agriculture and Rural Development, O&M = operation and maintenance, PPC = provincial peoples committees, PPMU = provincial project management unit.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework for the Additional Financing Scope

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms (Overall Project)	Assumptions and Risks (Overall Project)
<p>Impact Current project Improved livelihoods, incomes, and standards of living for the region's rural population through increased agricultural productivity, wider employment opportunities, improved health and education levels, and reduced exposure to natural disasters.</p> <p>Overall project "Unchanged."</p>	<p>Current project Average per capita annual incomes in participating communes and districts increase by 50% (from VND11.4 million to VND17.1 million) by 2016.</p> <p>The Government achieves its target of reducing the level of poverty from 19% to 12% in the target provinces by 2016.</p> <p>Secondary school attendance rates improve from 87% to 90% by 2016.</p> <p>Overall project From subproject baselines measured in 2014 and by 2020;</p> <p>i) Real average per capita incomes increase by 4% per year.</p> <p>ii) Household poverty rates in 2013 will be reduced by an average of 25%. (changed)</p> <p>Secondary school attendance rates improve from 87% to 90% by 2016. (unchanged)</p>	<p>Commune and district statistics</p> <p>National poverty statistics Ministry of Education statistics</p>	<p>Assumptions Government will continue to invest in the socioeconomic development in the Central provinces</p> <p>Risks</p> <ul style="list-style-type: none"> • Improper use and/or management of PRI or catastrophic events that will damage completed PRI
<p style="text-align: center;">Outcome</p> <p>Current project Improved quality, greater coverage, and better integration of rural infrastructure in the Central Region with an increased awareness for the need for O&M.</p>	<p>Current project Vehicle operating costs on improved roads reduced by 50% (from VND5,460 to VND2,730 per km) by 2014.</p> <p>Travel time on improved roads reduced by 50% (from 69 minutes to 35 minutes) by 2014.</p> <p>Agriculture production in areas with improved irrigation, flood control, and drainage facilities</p>		

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms (Overall Project)	Assumptions and Risks (Overall Project)
	increased by the equivalent in value of 1 ton of rice per hectare (from 5 tons/ha to 6 tons/ha) by 2014.		
<p>Overall project “Unchanged.”</p>	<p>Time spent collecting water reduced by an average of 2 hours per day (from 4 hours) by 2014.</p> <p>Proportion of off-farm income in total household income increased by 20% (from 53% to 73%) by 2014.</p> <p>Overall project</p> <p>Travel time on improved roads reduced by 50% by 2018. (changed)</p> <p>At least 300,000 more beneficiaries will have access to improved PRI from 2013 by 2018. (changed)</p> <p>Income per hectare in the subproject areas with improved irrigation, flood control, and drainage facilities increased by 20 %from 2014 by 2018. (changed)</p> <p>Time spent collecting water reduced by an average of 2 hours per day (from 4 hours) by 2014. (unchanged)</p> <p>Proportion of off-farm income in total household income increased by 20% (from 53% to 73%) by 2014. (unchanged)</p>	<p>Project benefit, monitoring, and evaluation (PBME) surveys</p> <p>Project completion reports (PCRs) and post project audit reports (PPARs)</p> <p>Commune and district agricultural statistics</p> <p>Project benefit, monitoring, and evaluation (PBME) surveys</p> <p>Project benefit, monitoring, and evaluation (PBME) surveys</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Subprojects selected for rehabilitation or upgrading are meaningful and viable • Project works are completed to acceptable standards. <p>Risk</p> <ul style="list-style-type: none"> • Maintenance of structures is not performed, reducing the economic life of the infrastructure.
<p>Outputs Output 1</p> <p>Current project A significant amount of the rural and coastal infrastructure in the project provinces is rehabilitated,</p>	<p>Current project 69 rural road subprojects or about 540 km of rural roads rehabilitated by 2014. (achieved)</p>		

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms (Overall Project)	Assumptions and Risks (Overall Project)
upgraded, and maintained.	<p>42 irrigation and drainage schemes covering about 110,000ha rehabilitated by 2014. (achieved)</p> <p>27 miscellaneous rural infrastructure subprojects, including 18 markets, 5 rural water supply schemes and 4 flood protection schemes constructed or rehabilitated by 2014. (achieved)</p>		
<p>Overall project "Unchanged."</p> <p>Output 2</p> <p>Current project Improved capacities of national and provincial staff in technical and safeguard matters.</p>	<p>Overall project 69 rural road subprojects or about 540 km of rural roads rehabilitated by 2014. (achieved)</p> <p>42 irrigation and drainage schemes covering about 110,000ha rehabilitated by 2014. (achieved)</p> <p>27 miscellaneous rural infrastructure subprojects, including 18 markets, 5 rural water supply schemes and 4 flood protection schemes constructed or rehabilitated by 2014. (achieved)</p> <p>About 115km of canal and other rural roads upgraded in 10 subprojects by 2018 (added)</p> <p>22 irrigation and drainage schemes covering about 29,160 hectare rehabilitated by 2018 (added)</p> <p>At least 30% of the members of Community Supervision Boards are women (added)</p> <p>Current project About 130 provincial staff trained in procurement, GAP safeguard matters, and participatory</p>	<p>Semi-annual and annual progress reports</p> <p>Midterm review</p> <p>PCR and PPAR`</p> <p>Project-generated reports and knowledge, attitude, and practice surveys</p> <p>Project-generated reports and knowledge, attitude, and practice surveys</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Adequate and timely local cost financing provided. • Subprojects are appropriately designed. • Sufficient capacities to absorb training and meet implementation demands <p>Risks</p> <ul style="list-style-type: none"> • Natural disaster will delay the implementation.

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms (Overall Project)	Assumptions and Risks (Overall Project)
	techniques, 25–30% of whom will be women. (achieved)		
<p>Overall project Improved capacities of national and provincial staff in technical design and farmers in agricultural production techniques. "Changed"</p> <p>Output 3</p> <p>Current project Improved project management skills for infrastructure development.</p> <p>Overall project "Unchanged."</p>	<p>Overall project About 130 provincial staff trained in procurement, GAP safeguard matters, and participatory techniques, 25–30% of whom will be women. (achieved)</p> <p>About 130 provincial staff trained in technical designs, agriculture and participatory techniques, (changed)</p> <p>At least 40% of the farmers receiving agricultural training is women (added)</p> <p>Current project About 80 provincial staff (at least 30% women) trained in project management and supervision. (achieved)</p> <p>Overall project About 80 provincial staff (at least 30% women) trained in project management and supervision. (achieved)</p> <p>About 300 provincial, districts and commune level staff (at least 30% women) trained in project management, supervision and safeguard. (added)</p> <p>About 40 central and provincial level procurement staff (15% of them being women) trained in ADB's new procurement procedures and requirements. (added)</p>	<p>Semi-annual and annual progress reports</p> <p>Midterm review</p> <p>PCR and PPAR`</p> <p>Project-generated reports and knowledge, attitude, and practice surveys</p> <p>Project-generated reports and knowledge, attitude, and practice surveys</p> <p>Semi-annual and annual progress reports</p> <p>Midterm review</p> <p>PCR and PPAR`</p> <p>Project-generated reports and knowledge, attitude, and practice surveys</p> <p>Project-generated reports and knowledge, attitude, and practice surveys</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Adequate and timely local cost financing provided. • Subprojects are appropriately designed. • Sufficient capacities to absorb training and meet implementation demands <p>Risks</p> <ul style="list-style-type: none"> • Natural disaster will delay the implementation. <p>Assumptions</p> <ul style="list-style-type: none"> • Adequate and timely local cost financing provided. • Subprojects are appropriately designed. • Sufficient capacities to absorb training and meet implementation demands <p>Risks</p> <ul style="list-style-type: none"> • Natural disaster will delay the implementation.

Activities with Milestones (Overall Project)	Inputs
<p>1.0 Subproject Design, Preparation and Implementation</p> <p>1.1 Recruit SIR consultants by PPMU (March - September 2014)</p> <p>1.2 Prepare and approve FS of Subproject by PPCs (June - December 2014).</p> <p>1.3 Subprojects appraised and approved by CPMU and ADB (July 2014 – January 2015)</p> <p>1.4 Prepare and approve Detail Design by DARDs (September 2014 - August 2015)</p> <p>1.5 Commence construction of subproject infrastructure from September 2015</p> <p>1.6 Subprojects O&M activities commence from June 2018</p> <p>2.0 Capacity Building</p> <p>2.1 Conduct additional training of CPMU and PPMUs on procurement, financial management (January - December 2014)</p> <p>2.2 Conduct other project management training including safeguards, GAP, M&E (January 2014 - December 2015)</p> <p>2.3 Conduct training for district and commune staff for supervision training (June 2015 – December 2017)</p> <p>3.0 Project Management</p> <p>3.1 Initiate and complete the recruitment of baseline surveys consultant (November 2013 – June 2014)</p> <p>3.2 Initiate and complete the SSS to retain the existing loan implementation consultants (January – June 2014)</p> <p>3.3 Set up and operationalize the updated PPMS (January - June 2014)</p> <p>3.4 Monitor the subproject implementation (September 2015 – March 2018)</p> <p>Prepare and submit project completion report (March – June 2018)</p>	<p>Loan ADB</p> <p>\$90.0 million (current)</p> <p>\$85.7 million (additional)</p> <p>\$175.7 million (overall)</p> <p>Government</p> <p>\$24.8 million (current)</p> <p>\$7.0 million (additional)</p> <p>\$31.8 million (overall)</p> <p>AFD loan and grant</p> <p>\$53.3 million (current)</p> <p>\$0.0 million (additional)</p> <p>\$53.3 million (overall)</p>

ADB = Asian Development Bank, AFD = Agence Francaise de Developpement, O&M = operation and maintenance, PBME = project benefit and monitoring evaluation, PCR = project completion report, PPAR = project performance audit report, PPMU = provincial project management unit.

B. Monitoring

1. Project performance monitoring

187. Each PPMU provides monthly progress reports to the CPMU. These are consolidated into quarterly reports and submitted to MARD, and ADB. These reports record (i) the progress made, (ii) problems encountered during the review period, (iii) steps taken or proposed to remedy the problems, (iv) a proposed program of activities, and (v) progress expected for the following quarter. The CPMU will ensure that these reports are submitted to ADB in a timely manner. The monitoring unit within the CPMU monitors the progress of activities in each province based on monthly PPMU progress reports. Withdrawals, disbursement, and reimbursement of project accounts will also be monitored by the same unit.

2. Compliance monitoring

188. A number of assurances have been given by the Government to ensure the smooth implementation of the Project. Those are subject to Loan covenants (Loan Agreement - Schedule 5) and are summarized below. The ADB will monitor compliance with those covenants throughout project effectiveness and implementation via regular review missions, quarterly progress reports submitted by the CPMU, and review of project accounts and procurement procedures.

189. **Safeguards monitoring:** General safeguard monitoring with associated grievance mechanisms is undertaken by independent consultants or institutions to ensure that the required policies and procedures and plans for (i) resettlement including land acquisition and compensation, (ii) environmental impact assessment and mitigation, and (iii) indigenous peoples specific actions, are implemented and achieve their expected outcomes during subproject preparation, implementation, and operation. In addition, an independent agency has been recruited to specifically monitor the implementation of land acquisition and resettlement activities at the field level to ensure full compliance with all laws, decrees, policies, and plans, and to review the grievance mechanism for affected persons.

190. **Gender and social dimensions monitoring:** Project benefit monitoring activities are undertaken through periodic monitoring of the benefits and impacts of a representative number of selected subprojects. They are carried out independently by a university, institute, or similar agency with experience in the identification and quantification of economic development benefits, gender impacts and social development impacts. GAP implementation is regularly monitored and reported to ADB as part of regular report. Gender impacts monitoring are included in baseline and end line surveys if such activities are part of project plan.

C. Evaluation

191. ADB will conduct regular (at least twice per year) reviews throughout project implementation to assess implementation performance and achievement of project outcomes and objectives, examine financial progress, and identify issues and constraints affecting the Project and work out time-bound action plans for their resolution. For Additional Financing activities, apart from regular reviews, ADB and the Government will undertake a comprehensive review within 18 months of loan effectiveness when the first batch of subprojects will be commencing construction. These reviews will include a comprehensive evaluation of project implementation arrangements, detailed evaluation of the scope and implementation process and progress of subprojects, feedback from the PPMS, performance of consultants, capacity

building progress, and possible reallocation of loan proceeds. During this more significant review, the impact from the pro-poor initiatives linked to infrastructure development will be assessed as will the allocation by local administrations for the maintenance of the infrastructure developed under the project. Remedial action will be instituted as required.

192. Within 6 months of physical completion of the Project MARD will submit a project completion report to ADB.

D. Reporting

193. MARD will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions; (c) updated procurement plan and (d) updated implementation plan for next 12 months; and (iii) a project completion report within 6 months of physical completion of the Project. To ensure projects continue to be both viable and sustainable, project accounts and the executing agency AFSs, together with the associated auditor's report, should be adequately reviewed.

E. Stakeholder Communication Strategy

194. The PPMUs are responsible for community awareness program for each subproject and each community. During the preparation of the SIP stakeholders are informed about the project and the individual subprojects in particular, including the objectives, potential environmental impact, implementation arrangements, resettlement and compensation matters, gender issues and, where applicable, issues of concerns for ethnic minorities. Awareness programs take advantage of existing social development systems such as commune /village meetings and announcements on commune speaker systems, but may also include different approaches. The community is fully informed of issues such as their right to participate in this subproject and to be compensated for any loss of property including productive land and / or assets; as well as gender equity and other relevant policies. Separate meetings and discussions are arranged with the people who are directly affected by land acquisition and/or resettlement issues. The community and particularly the affected households are provided with detailed guidance and procedures regarding resettlement and compensation.

X. ANTICORRUPTION POLICY

195. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.²⁶ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency 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.²⁷

196. To support these efforts, relevant provisions are included in the loan agreement/regulations and the bidding documents for the Project. To ensure sound governance, MARD shall ensure that (i) periodic inspections of the Project contractor's activities related to fund withdrawals and settlements are carried out; (ii) relevant provisions of ADB's

²⁶ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

²⁷ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

Anticorruption Policy (1998, as amended to date) are included in all bidding documents for the Project; and (iii) contracts, financed under the Project, include provisions specifying the right of ADB to audit and examine the records and accounts of MARD and Project provinces, contractors, suppliers, consultants, and other service providers as they relate to the Project.

197. Moreover, within 2 months of the Effective Date, MARD shall disclose information about various matters concerning the Project, including general project information, procurement, project progress, and contact details in the English and Vietnamese languages through a Project website, accessible by the general public. The website shall also provide a link to ADB's Integrity Unit (<http://www.adb.org/Integrity/complaint.asp>) for reporting to ADB any grievances or allegations of corrupt practices arising out of the Project and Project activities. With regard to procurement, the website shall include information on the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted amount of contract awarded, and the list of Goods, Works and Consulting Services procured.

XI. ACCOUNTABILITY MECHANISM

198. People who are, or may in the future be, adversely affected by the Project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.²⁸

XII. RISK ASSESSMENT AND MITIGATION MEASURES

199. The table below summarizes possible mitigating measures for the major risks facing the project. As per GACAP II, a major risk is one that is likely, relatively serious, and not mitigated over the project period. The overall project risk rating is low after suitable mitigation measures are put in place. There are several central and local reform efforts underway in Viet Nam to strengthen financial management processes, including joint efforts with other development partners. The Viet Nam Resident Mission is closely associated with these efforts to ensure that project implementation procedures and designs incorporate agreed-upon measures and can accommodate future improvements as they come into effect.

²⁸ For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

Summary of Risks and Mitigating Measures

No.	Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
1. Technical Risks			
1.a	Not all provincial governments are adequately skilled at identifying high-priority and strategic subproject investments	Medium	EA/CPMU and PPMUs have adequate experiences from Phase 1. Loan implementation consultants (LIC) will assist CPMU to properly assess subproject proposals. The subprojects to be financed under the Project will have been screened and selected in accordance with the criteria agreed between the Borrower and ADB.
1.b	Quality of the subproject's technical designs prepared by provincial consultants does not meet standards	Medium	EA/CPMU and PPMUs have adequate experiences from Phase 1. LIC will assist CPMU to review the subproject's technical designs.
1.c	Infrastructure provided will be damaged by natural disasters	High	With sufficient funding provided through the Project it is possible to design civil works which are climate-proofed and resistant to damage by natural disasters.
2. Procurement			
2.a	Delays in selecting consultants	High	<p>Consultant recruitment to be conducted by PPMUs for feasibility studies, detailed design and construction supervision will be funded by government counterpart funds following national procedures. Given the large number of such packages and PPMU's limited knowledge of ADB procedures and English language, such use of counterpart funding will help minimize recruitment delays.</p> <p>Only four sets of consultants will be recruited under the Additional Financing for (i) loan implementation, (ii) baseline and end-line surveys, (iii) financial audit and (iv) subproject completion audit.</p> <p>To avoid start-up delay, CPMU will use the saving of Loan 2357 to process a contract variation of the current LIC contract to mobilize existing safeguard and investment report consultants for Phase 2, who will help PPMUs and the subproject design consultants to prepare the Phase 2 subproject investment reports. Under the Additional Financing, the LIC will then be recruited through SSS.</p>
2.b	Significant usage of direct contracting	High	All civil works packages under Additional Financing should be tendered competitively and all requests for direct contracting during implementation shall be strictly scrutinized.
2.c	Limited price competition	High	Single-stage, single-envelope bidding procedure will be applied. To further expand competition, CPMU shall organize business outreach events in Quang Tri, Da Nang and Lam Dong by (i) notifying construction industry about pipeline of contracts under Additional Financing, (ii) providing tips to prospective bidders on preparing compliant bids and (iii) reassuring prospective bidders of mechanisms in place to ensure procurement is conducted by 6 selected PPMUs in a fair and transparent manner.
2.d	Elevated risk of collusion	High	Prior review of procurement documents will be extended

No.	Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
			to first 3 civil works packages for Ha Tinh and Thua Thien Hue provinces.
2.e	Defective bid evaluation reports	High	Tailored capacity building program will be undertaken to help CPMU and 6 selected PPMUs understand sound bid evaluation techniques. Prior review of procurement documents will be extended to first 3 civil works packages for Ha Tinh and Thua Thien Hue provinces.
2.f	Proliferation of small packages	High	Increase contract sizes in light of available contractor capacity data to reduce administrative burden, risk of collusion and improve quality of implementation.
3. Financial Management			
3.a	Delayed or non-existent reconciliation of (i) advances and payable to contractors, (ii) cash between accountant and cashier	Medium	EA/CPMU and PPMUs have adequate experiences. Periodic review will ensure proper reconciliation of (i) advances and payables to contractors, and (ii) cash between accountant and cashier.
3.b	Need for strengthen of internal control system in terms of human capacity at provincial level.	High	EA/CPMU and PPMUs have adequate internal control capacity through the Project implementation. Periodic review and allocation adequate financial management layers to ensure proper internal control.
4. Environment and Social Impact			
4.a	Not all provincial government staff are fully familiar with environmental or social impact issues (other than land acquisition matters)	Low	The existing project design incorporates environmental and social safeguards. Due to safeguard training provided under Phase 1, level of knowledge is increased. Additional training will be provided to ensure that PPMUs will implement and monitor the safeguard measures as the agreed plan/framework.
4.b	Appropriate beneficiary consultation not undertaken	Medium	Due to their experiences from Phase 1, CPMU and PPMUs understand the importance of adequate consultation. Training will be provided to the commune supervision boards to strengthen their supervision capacity.
5. Sustainability			
5.a	Funding will not be available in provincial, district, or commune budgets for sustained operation and maintenance in the long term	Medium	One of the requirements for the approval of subproject funding is an operation and maintenance plan. Training is being provided under the project for stakeholders involved in post-project operation and maintenance. Monitoring of O&M implementation is being undertaken for the completed subprojects.
Overall		Low	

XIII. RECORD OF PAM CHANGES

200. The PAM was formulated in August 2013 to reflect the ongoing implementation arrangements and specify the investment scope and implementation arrangements for the additional financing according to the ADB's latest format for PAM (2010). The changes were discussed during the processing of the additional financing and such changes were discussed, agreed during the loan negotiation on 14-15 July 2014, and PAM was finalized on 15 July 2014.