MINISTRY OF PLANNING AND INVESTMENT

WORLD BANK

PROJECT OPERATIONS MANUAL (INCLUDING THE FINANCIAL MANAGEMENT MANUAL)

REVISION B – 06 JULY 2011

PROJECT PREPARATION TECHNICAL ASSISTANCE FACILITY (PPTAF)

SOCIALIST REPUBLIC OF VIETNAM
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<td>Country Partnership Strategy</td>
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<td>NGO</td>
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<td>NOL</td>
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<td>Office of Government</td>
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CHAPTER I: INTRODUCTION AND PROJECT DESCRIPTION

1.1 The Project Operations Manual incorporating the Financial Management Manual (POM&FMM)

The objective of this POM&FMM is to establish and maintain a system of Project Implementation and Financial Management Procedures in order to ensure the resources of the Project Preparation Technical Assistance Facility (PPTAF) will be implemented effectively. This manual should be adopted by all parties involved in PPTAF including:

- Sub-project Management Units (PMUs) of Implementing Agencies (IAs) including Ministries and Government Agencies, People’s Provincial Committees, People’s Committees of Cities and State Owned Enterprises (SOE),
- officers and staff within MPI’s PCU,
- Independent Consultants appointed for specific assignments.

1.2 Legal Basis

The POM&FMM has been approved for use on PPTAF and associated sub-projects by the Minister of Planning and Investment. In addition the World Bank has issued a No Objection Letter (NOL) in relation to this document. The POM&FMM is considered to be a “living document”, which will be developed and enhanced as the project proceeds. Formal agreement is required from MPI and WB prior to any revisions being made to this Manual.

1.3 Project Background and Objective

In Viet Nam, public investment, particularly in infrastructure, is typically delayed compared with the schedules developed when the projects were formulated. This situation applies equally to World Bank (WB)-financed and other donor financed investments. While the rate of disbursement on the Six Bank-financed projects has increased significantly over the past several years, it has remained substantially less than the rate at which new commitments are being made. The result has been a continuous increase in the stock of undisbursed funds, to about $11 billion at the end of 2008. Portfolio performance, which had earlier been good, is becoming characterized by a stagnant disbursement performance and, more recently, a downward trend in disbursement ratios due to slow project start-up, and by delays in implementation that reduce expected project benefits and that increase project costs.

The Project Preparation Technical Assistance Facility Project (PPTAF Project) will support the Government’s efforts to improve project performance. The project aims to do this by providing assistance with the critical project preparation activity, from both schedule and quality perspectives. This will be done through the establishment of a project preparation facility that can be drawn upon to undertake feasibility studies, detailed designs, and procurement for sub-projects, and other necessary project-preparation activities, across all development sectors. The World Bank’s involvement arises from its long term and wide exposure to almost all of Vietnam’s development sectors, from policy development to capacity building to investment operations. The Bank has extensive global and country knowledge that would add significant value to Vietnam’s project preparation and implementation processes, and effectively support the institutional and procedural reforms that these processes require.
Applications from potential IA’s for PPTAF sub-project assistance have been accepted from October 2010. The project is scheduled to last for five years and be completed by 31 December 2015.

The **Project Development Objective** is that Government agencies have increased capacity to plan and prepare public investments efficiently and to international quality standards. Project outcomes will include:

(a) improved quality at entry,
(b) shortened preparation periods and time to realize project benefits,
(c) increased capacity within government agencies and the national consulting industry to produce project preparation documents of good quality, to an acceptable schedule.

MPI will confirm that there are no other sources of financing for sub-project preparation that are better suited for any of the program activities in Components A and B of the PPTAF project (components are detailed in the following Section 1.2).

Sub-project preparation activities beyond the feasibility study stage (detailed engineering design, etc.) are contingent upon the viability of the sub-project based on the feasibility study findings. Further, financing sub-project preparation through the facility does not guarantee subsequent financing through the World Bank of the investment loan. Costs incurred in the preparation of the sub-projects (under the PPTAF Project) will replace the preparation activity costs that otherwise would have been incurred under the investment-project costs.

### 1.4 Project Components

The Project Development Objective will be achieved through the following three components:

**Component A: Project Preparation Facility**

The project will finance the preparation of a large number of sub-projects over a five-year implementation period. These range from large-scale infrastructure investments, requiring preparation budgets of up to US$ 20 million, to smaller scale social sector operations, requiring individual consultant inputs costing around US$ 0.5 million or less. The scope of this Component will include all tasks required to complete the preparation of the selected sub-projects so that their implementation can commence as soon as investment financing is available. To be eligible for consideration for funding under this component a sub-project must have been placed on the Government’s approved list of ODA funded projects, be consistent with the Bank’s CPS for Vietnam, or through a specific agreement between the Bank and MPI. Further, sub-project preparation activities beyond the feasibility study stage (for example, detailed engineering design) are contingent upon the viability of the sub-project being confirmed.
Component B: Project Preparation Facility Support and Capacity Building

This component provides support to the Ministry of Planning and Investment (MPI), the project’s executing agency to assist it with project implementation, and also for capacity building targeting Implementing Agencies (IAs), and broader policy dialogue and studies to improve the country’s overall development program and project performance. There are three sub-components:

Subcomponent B.1: Project Preparation Facility Support Services

These services will provide MPI with the support required to effectively manage the project, through a facility support consultant team with strong project management expertise. The key areas of support to MPI include:

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

These services will be provided initially by a team of individual consultants (the interim facility support consultants) to accelerate project start-up, and subsequently by a consulting firm.

Subcomponent B.2: Project Preparation Capacity Support Services

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

Subcomponent B.3: Policy Support and Institutional Strengthening

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

**Component C: Incremental Operating Costs and Project Management Expenses**

Component C includes US$ 0.60 million credit funds to support MPI for (i) conducting annual external audits, and (ii) purchasing minor equipment and facilities required to manage the project. The GoV has allocated US$3 million in counterpart funds which will be applied to MPI’s project management expenses. The IAs (during the application process) will prepare its requirements for government counterpart funding which will be applied to their sub-project management expenses.

**1.5 Project Financing and Sources**

A breakdown of the financing provided to PPTAF is shown below:

**a) Total project costs**: US$ 103 million, of which:

- **Loan of WB (IDA)**: US$ 100 million equivalent to 97.09 % of total project cost.
- **Counterpart Funds from the Government**: VND 57 billion (equivalent to US$ 3 million), about 2.91 % of total project cost. Counterpart fund for the project will be allocated annually by MPI in accordance with the State Budget Law.
- **Counterpart funds for sub-projects**: During the application process, the IAs will prepare their proposals for counterpart funding to be approved and allocated by the Government to cover their sub-project management expenses. State-owned enterprises will use their own funds for the sub-project management expenses.

**b) Financial Mechanism:**

IDA’s credit is a Government Loan which is allocated from the State budget for approved projects.
CHAPTER 2: IMPLEMENTATION ARRANGEMENTS

2.1 Roles and Responsibilities

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

Steering Committee (SC).

The project’s Steering Committee has been established following Decision No 1968/QD-BKH dated 12/11/2010 from the Minister of Planning and Investment. The SC ensures coordination and accountability during project implementation.

The SC will be chaired by the Vice Minister of MPI. Members of the SC will include the Ministry of Finance (MoF), the State Bank of Vietnam (SBV), and the Office of Government (OoG). The Bank will liaise with the SC.

MPI, as the project owner and Executing Agency is responsible for program implementation and budget execution. MPI’s overall role is to monitor, coordinate, and manage the project; with appropriate quality assurance measures to ensure IAs comply with the POM and agreed schedules.

Project Coordination Unit (PCU).

The PCU under MPI has been established following Decision Numbers 505/QD-BKH (07/4/2010), 1095/QD-BKH (07/7/2010) and 1977/QD-BKH (16/11/2010).

MPI will establish the PCU under its Foreign Economics Relations (FERD) and will appoint the Director, Deputy Director, Coordinator, a full time Chief Accountant, and staff of the PCU. The PCU will be responsible for project coordination and implementation – including procurement of consultants for Components B and C, and the project’s financial management, monitoring and evaluation, overall quality assurance and safeguards compliance, and the project’s governance, transparency, and anti-corruption framework. The PCU will have the right (i.) to procure international and domestic consultants as necessary for the project and (ii.) to establish a special account for the project. MPI will procure and manage the Facility Support Consultants who will assist the PCU in all of its responsibilities, and provide capacity building as required to the IAs.

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

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

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

At the project level, the Bank’s Project Task Team will support:

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

At the sub-project level, the Bank Sub-project Task Teams are responsible for supervision to prepare the investment and supervise all of the IA’s preparation activities, including:
(a) supervision of all activities (capacity assessments, technical guidance, FM, procurement, safeguards, QA/QC, M&E, etc) carried out by the IA
(b) technical and quality review of all GoV deliverables
(c) progress reporting to the Bank Project Task Team
(d) preparation of the subsequent sub-project investment

### Table 1. Project Activities and Roles

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

MPI is the project owner and Executing Agency, responsible for program implementation and budget execution. Through the Project Coordination Unit (PCU), MPI’s overall role is to monitor, coordinate, and manage the facility, with appropriate quality assurance measures to ensure that IAs comply with agreed guidelines, requirements, and schedules.

2.2.1 PCU responsibilities

The PCU is established within the MPI to undertake overall responsibility for the management and implementation of the PPTAF:

- Project coordination and implementation
- Screening and clearing proposals from IAs, based on alignment with eligibility criteria (demonstrated in the sub-project’s Technical Assistance PDO) and the Sub-project Pre-appraisal Checklist (included in the Sup-project Application Proposal)
- Procurement of consultants necessary for PCU functions as well as to provide technical services as required to IAs
- Financial management
- Monitoring and evaluation
- Project’s overall quality assurance
- Safeguards compliance
- Project’s governance, transparency, and anti-corruption framework
- Authority to reduce or cancel allocations made to an IA if the use of funds is substantially delayed or poorly performing
- Preparation of consolidated quarterly and annual reports and submission to World Bank in accordance with guidelines
- Cooperation with external auditors, ensuring that all financial accounts, records and reports, and other relevant documents, including internal reports, are available to external auditors

2.2.2 Structure and staffing

The PCU is established by decision of the MPI. Experienced managerial staff will be seconded from MPI departments to manage and direct the unit, as well as supervise the work of the consulting services.

PCU Director will be responsible for the overall efficiency and effectiveness of management of the project, including financial management, to ensure that the funds of the project are used for intended purposes in an efficient and effective manner by:

- Providing strategic guidance and instruction on project management
- Oversee the overall work of the supporting consulting services and make decisions based on the output of the consultants
- Ensure the effective financial management of the project
Deputy Directors will assist the PCU Director to ensure proper project management and financial management as well as supervision of consulting services as delegated by the PCU Director.

Salaries, allowance, and per diems of staff will be sourced, in accordance with current Vietnamese Government regulations on ODA projects.

2.3 Structure and Responsibilities of Implementing Agency PMU

A Project Management Unit will be established within each Implementing Agency to assume overall responsibility for the management and implementation of the sub-project preparation technical assistance as well as the subsequent sub-project investment loan implementation:

2.3.1 PMU responsibilities

- Preparation of sub-project Technical Assistance PDO (TA PDO) and Sup-project Application Proposal
- Procurement of consulting services for carrying out its sub-project preparation, including all documents required for procurement process
- Management of all contracts
- Preparation of subsequent investment loans for sub-projects
- Ensuring that funds are administered in accordance with World Bank policies and guidelines
- Close collaboration with WB sub-project team during preparation for and implementation of sub-project

2.3.2 Structure and staffing

The structure and staffing of each Implementing Agency’s PMU will be in accordance with established requirements and guidelines, as well as the needs of each respective sub-project.
CHAPTER 3: SUB-PROJECT APPLICATION PROCESS

This chapter outlines the steps that are expected to be undertaken in the application process for the Implementing Agencies to receive sub-project preparation support.

MPI will confirm there are no other sources of financing for sub-project preparation that are better suited for any of the program activities in Components A and B of the PPTAF Project.

Sub-project preparation activities beyond the feasibility study stage (detailed engineering design, etc.) are contingent upon the viability of the sub-project based on the feasibility study findings. Further, financing sub-project preparation through the facility does not guarantee subsequent financing through the World Bank of the investment loan.

The PPTAF application procedures and accompanying Forms 1 and 2 have been prepared and the latest versions are available by contacting the PCU or downloading the information from the project website. A summary of the application procedures is provided below.

3.1 Application Process

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

While the sub-projects are being prepared, the respective IAs will prepare PDOs for the subsequent sub-project investment project for the Prime Minister’s approval.

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

(a) The candidate sub-project is listed in the Bank’s CPS or the Government’s ODA list – subject to agreement by the Bank and GoV,

(b) For projects not in the CPS, the Bank’s approval to MPI conditional on inclusion of the sub-project in the next CPS or update,

1 The Government’s Outline of ODA Investment (PDO) will provide sufficient information on a proposed subproject for MPI to obtain the Prime Minister’s approval to proceed with its preparation. A separate PDO process will be required for the ensuing investment project.
(c) For sub-projects that the Government considers to be high priority, but which are not yet reflected on the ODA list not in the CPS, the Bank may agree through an exchange of letters with MPI that the sub-project is eligible.

The Sub-project Application will (refer to Figure 2 and Table 2) set out information on the sub-project to be prepared, and the financing required for preparation (including IA’s own counterpart funds for implementation). Information to be detailed on the proposed subproject will include: objectives, investment components, estimated costs, preliminary screening and scoping of safeguards, preliminary financial/economic analysis, preliminary implementation schedule, and readiness indicators. Information to be detailed in the project preparation request will include brief summary TORs for consultants, procurement packaging, costs, implementation schedule, and sub-project IA PMU readiness. A Sub-project Pre-appraisal Checklist will be prepared (as part of the Sub-project Application) and will include the Bank Sub-project Task Team procurement and FM capacity assessments of the sub-project PMU, and provide preliminary inputs on safeguards.

![Figure 2. Application Process](image)

Table 2. Sub-project Application Process

<table>
<thead>
<tr>
<th>Step</th>
<th>Output</th>
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<tbody>
<tr>
<td>1.</td>
<td>The Implementing Agency, MPI, and the Bank sub-project task team coordinate on the proposed sub-project. The Implementing Agency prepares a Sub-project Proposal to initiate the application process with MPI.</td>
</tr>
<tr>
<td>2.</td>
<td>MPI submits (periodically, as required) a List of Sub-project Proposals to the MPI Minister for review and approval. Upon approval, MPI can authorize an IA to proceed with its application. MPI screens the sub-project for eligibility.</td>
</tr>
<tr>
<td>3.</td>
<td>IA prepares Sub-project Application (which includes the pre-appraisal Checklist) and submits to MPI for review and clearance.</td>
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<tr>
<td>4.</td>
<td>Upon approval, MPI submits to the Bank the Sub-project Application and request to approval for proposed preparation activities.</td>
</tr>
</tbody>
</table>
In addition, in accordance with GOV requirements, internal / procedural steps within and between the MPI and Implementing Agencies will need to take place in order for allocation of budgets/funds and activities to begin:

I. Steps needed in order for Implementing Agency PMU to be established, and for PMU’s consulting services contracts to be procured and signed.

   a) MPI Minister approves list of sub-projects based on TA PDOs,
   b) Implementing Agency establishes a preparation team to prepare initial project documents—including brief feasibility study and procurement plan,
   c) Implementing Agency submits sub-project’s initial project documents to IA’s respective Minister,
   d) IA’s Minister approves the initial project document—including brief feasibility study,
   e) IA’s Minister’s approval enables:
      • establishment of the IA’s PMU based on the existing preparation team
      • procurement and signing of PMU’s consulting services contracts to take place.

II. Steps needed for Implementing Agency PMU to receive funds.

   a) Ministry of Finance and Implementing Agency sign a Subsidiary Loan Agreement (SLA),
   b) The SLA will specify terms for:
      • on-lending (for revenue-generating / cost-recovery sub-projects) on standard terms; or
      • grant.
   c) A separate account may be established for the Implementing Agency PMU,
   d) Depending on the size of the fund flow / payments, the method of payment could be either direct, or via the Implementing Agency PMU’s separate account,
   e) Implementing Agencies will have an agreed period in which the funds must be used. Beyond this period, the funds must be returned to the PPTAF project account.

3.2 Eligibility Criteria for Pre-screening

The TA PDO will contain basic information to ascertain whether the proposed sub-project would meet the eligibility criteria and be a possible candidate for project financing support. The eligibility criteria include:
• The candidate sub-project is listed in the Bank’s CPS or the Government’s ODA list.
• For projects not in the CPS, the Bank can provide approval to MPI conditional on inclusion of the subproject in the next CPS or CPS update.
• The Bank and MPI agree that a subproject that is of high priority to the Government, but that is not yet on the Government’s ODA list, may be eligible based on an exchange of letters.

3.3 Sub-project Pre-appraisal Checklist

This section provides an outline of the information to be prepared for the Sub-project Pre-appraisal Checklist, which will be a component of the Sub-project Application Proposal.

The Sub-project Pre-appraisal Checklist will present key information on:

(i) Sub-project to be financed,
(ii) Anticipated sub-project preparation financing.

Information to be detailed on the proposed sub-project will include:

• Objectives,
• Investment components,
• Estimated costs,
• Preliminary screening and scoping of safeguards,
• Preliminary financial/economic analysis,
• Preliminary implementation schedule,
• Readiness indicators.

Information to be detailed in the project preparation request will include:

• Brief summary TORs for consultants,
• Procurement packaging,
• Costs,
• Implementation schedule,
• Sub-project agency PMU readiness.

During preparation of the checklist, the World Bank sub-project team will complete its procurement, with capacity building requirements (if any) and FM capacity assessment of the sub-project PMU, and will provide preliminary inputs on safeguards.
CHAPTER 4. FINANCIAL MANAGEMENT


4.1.1. General Principles

Financial management, accounting, and disbursement of the Bank funded projects in Vietnam are implemented in order to generally unify regulations on financial management and reporting in projects. This aims to achieve the following objectives:

- To enhance transparency in project financial management to ensure the proper and effective use of project resources;
- To provide guidelines on the financial management procedures and systems of the projects facilitating the monitoring and evaluation tasks conducted by the Bank and relevant government agencies;
- To provide clarified requirements, processes and procedures of project management facilitating project implementation

4.1.2. Role and Responsibility of Relative Agencies/Organizations in Financial Management

4.1.2.1. State Bank of Vietnam (SBV)

- The SBV has been the representative of the Socialist Republic of Viet Nam in WB, acting as an agency for negotiation, signing and amendment of financing agreements with WB;
- The SBV shall select and appoint commercial banks for opening of Sub-project accounts in accordance with Decree No. 131.2006/ND-CP concerning management and utilization of ODA and related guidelines;
- The SBV shall be responsible for aggregation of the mid-year and annual reports concerning withdrawal of credit proceeds and disbursement through Designated Accounts and report on project implementation.

4.1.2.2. Ministry of Finance (MOF)

The MOF shall be responsible for:

- Setting up and approving, in collaboration with MPI, all the guidelines regarding financial management aspect;
- Approving and co-signing the Withdrawal Applications (WAs) of PCU and PMUs for disbursement from the WB and other donors;
- Providing Government counterpart funds to the Project based on already approved disbursement plan (except for enterprises);
- Assigning relevant staff to work with the project mid-term evaluation mission of WB;
- The MOF shall be ultimately accountable for the proper financial management of the project in accordance with Vietnamese Government and the World Bank regulations.
4.1.2.3. Ministry of Planning and Investment (MPI)

The MPI shall be responsible for:

- Giving direction and supervision for PCU implementation;
- Review and approval of the annual work plans and financial plans for the PCU;
- Providing counterpart funds and advance budget for eligible PCU expenditures,
- Review PCU bidding results.

4.1.2.4. State Treasury

The State Treasury shall be responsible for:

- Checking and verifying the utilization of IDA for project’s expenditures;
- Checking, verifying and making payments from project’s counterpart funds.

4.1.2.5. Commercial Bank – Service Bank for PCU and PMUs

- A Commercial Bank shall be the “service bank” of PCU and PMU;
- Designated Accounts for PCU and PMUs shall be opened at the Commercial Bank;
- The Commercial Bank shall be responsible for making payments from IDA funds to beneficiaries under PCU/PMUs management.
- The Commercial Bank shall be responsible for transfer funding from Designated Accounts to the respective recipient following the PCU/PMU requirements.

4.1.2.6. Project Coordination Unit (PCU)

The PCU shall be responsible for:

- Preparation of annual project plans, budgeting and identifying budget demand for the whole project;
- Management of the Designated Accounts at Commercial Bank;
- Through State Treasury, ensuring the financial management in complying with Government’s regulations on expenditures management;
- Preparation of documents for withdrawal of credit proceeds, applications for withdrawal together with supporting documents for getting approval of the MOF and WB for disbursement and payment from the designated Account;
- Acting as an inter-coordinator for disbursement of IDA funding from WB to PMUs; but PCU shall not be responsible for verifying and giving approval for exchanges of Sub-projects;
- Setting up accounting system, accounting records and Bookkeeping accounting in accordance with regulations of the WB and the Government;
- Setting up and maintenance of an internal controlling system and ensuring the effective operation of this system;
- Consolidation of financial reports from PMUs;
• Recruitment of an independent audit company for auditing of the project and reporting in time to the WB and the Government.

4.1.2.7. Implementing Agencies (IAs)

IAs shall be responsible for:
• Promulgation of guidelines and supervision of the implementation of PMU;
• Review and approval of working plan and budget plan of PMU;
• Providing Government counterpart funds for PMU;
• Review and giving approval for bidding results executed by PMU at IA.

4.1.2.8. Project Management Unit of IA (PMU)

The PMU shall be responsible for:
• Financial management, preparation of annual project implementation plans, budget plans and identifying budget demand for the Sub-project;
• Preparation of documents for withdrawal proceeds of fund together with Statement of Expenditures (SOEs) and submit to PCU for disbursement;
• Setting up accounting system, accounting records and Book keeping accounting in accordance with regulations of the WB and the Government;
• Establishing, maintenance and ensuring the effective operation of an internal controlling system;
• Preparation of quarterly financial supervision reports.

4.1.3. Detailed responsibilities of personnel

For the PCU: Personnel for Financial Management (FM) have been assigned during preparation of the project and they shall have specialized qualifications and relevant experience in accounting and project/program management. Detailed tasks of FM staff shall be described in the Financial Management Chapter of this Manual. The PCU’s FM staff shall be trained in financial management (including WB project financial management and disbursement requirements. Training courses for FM staff shall be organized as early as possible.

For the IAs’ PMUs: FM staff with specialized qualifications and experiences in accounting shall be assigned for financial management of Sub-projects. This is one of the required criteria for selection.

At PCU and PMUs, Accounting and FM Team shall include: a chief accountant and accountant staff who responsible for corporation with the Procurement Team and the Coordinator for financial aspect of each contract.
The main duties of the Accounting and FM Team are to ensure the completion and properness of the FM system in order to provide exactly and timely information relating to fund resource and project’s expenditures.

Accountant of the PCU shall be responsible for giving instruction to accountant staff of the PMUs in financial management in accordance with Guidelines and Regulations of the WB and the Government. Accountants of PMUs shall responsible for submission of annual report to the internal controller of the PCU in order to update financial status of PMUs. PCU’s internal controller then shall be responsible for submitting report to PCU’s Director about all the weak points of the project implementation process.

Table 3: Functions and Duties of Accounting and Financial Management Team

<table>
<thead>
<tr>
<th>No.</th>
<th>Position</th>
<th>Functions and duties</th>
<th>Qualification Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. PCU</td>
<td>Director</td>
<td>- Responsible for overall project implementation.</td>
<td>Having specialized qualifications and experiences in project/program management, having good knowledge on the donor’s procedures, mechanism and policies, capacity for management and coordination of project/program’s activities</td>
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<tr>
<td></td>
<td></td>
<td>- Has the reporting function and the accountability for MPI, MOF, WB and other relating agencies on the issues under his authorized management.</td>
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</tr>
<tr>
<td></td>
<td>Internal Controller</td>
<td>- Responsible for controlling of financial management in accordance with regulations of WB and GOV regulations and based on real implementation experiences from similar projects/programs.</td>
<td>Having experiences in project auditing, having certificate of senior auditor. Good English speaking and writing, familiar with budgeting process and financial accountability in project management. Giving priority for experiences in financial management</td>
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<tr>
<td></td>
<td></td>
<td>- Giving instruction and support to accountants of PMUs.</td>
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<tr>
<td></td>
<td></td>
<td>- This personnel is not required to work fulltime but could work as part-time staff.</td>
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<tr>
<td></td>
<td></td>
<td>- The Controller shall be responsible for:</td>
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<tr>
<td></td>
<td></td>
<td>• Checking and reconciliation of PMU reports;</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Provision of support to PCU, PMU in financial management</td>
<td></td>
</tr>
<tr>
<td>Role</td>
<td>Responsibilities</td>
<td>Qualifications</td>
<td></td>
</tr>
<tr>
<td>--------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td></td>
</tr>
</tbody>
</table>
| Chief Accountant | - Responsible for financial management in accordance with regulations of WB and GOV. Having practice experiences from similar project/program management. The Chief Accountant shall be responsible for:  
  - Management of the accounting and financial system, verification of financial report before submission to the PCU’s Director;  
  - Maintaining of suitable internal controlling system;  
  - Preparation of budget plan for getting approval of the PCU’s Director;  
  - Providing analysis on economic and financial status of whole project (IDA and GOV’s counter fund).  
| Accountant    | The Accountant shall be responsible for:  
  - Implementation and controlling of efficient and proper disbursement and the use of project funds in accordance with requirements of the GOV and the WB;  
  - Making payment and disbursement;  
  - Implementation of full and accurate accounts and records, including book entries, bookkeeping in accordance with current regulations of GOV.  
|              | Having experiences in Chief Accountant position and having certificate of Chief Accountant, good English speaker, familiar with public budget process. Priority will be given for experience in financial management.  
| Accountant    | Having bachelor of financial sector.  
|              | Having experiences in FM of project.  

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| Cashier | - The Cashier is responsible for cash management in the PCU, checking and reconciliation petty cash with account book in accordance with current regulations on accounting mechanism; |
|         | - drawing of cash from Bank or Treasury to the project; |
|         | - collecting of cash just in case for some professional activities |
|         | - keeping as archives of relative documents |
|         | - provide support to the Chief Accountant and Accountant in accounting, financial management, payment and disbursement and other relative tasks (details as requirements of management practice). The Cashier shall not hold the duties of Accountant. |
| 2. PMU | - Responsible for overall project implementation. |
| Director | - Has the reporting function and the accountability for MPI, MOF, WB and other relating agencies on the issues under his authorized management. |
|         | Having specialized qualifications and experiences in project/program management, having good knowledge on the donor’s procedures, mechanism and policies, capacity for management and coordination of project/program’s activities. |

Having diploma of financial sector and prior experience in financial aspects.
| **Chief Accountant** | - Responsible for financial management in accordance with regulations of WB and GOV. Having practice experiences from similar project/program management. The Chief Accountant shall be responsible for:  
  - Management of the accounting and financial system, verification of financial report before submission to the PMU’s Director and the PCU;  
  - Maintaining of suitable internal controlling system;  
  - Preparation of budget plan for getting approval of the PMU’s Director and the PCU;  
  - Providing analysis on economic and financial status of whole project (IDA and GOV’s counter fund).  
Having experiences in Chief Accountant position and having certificate of Chief Accountant, good English speaker, familiar with public budget process. Giving priority for experiences in financial management |
| **Accountant** | The Accountant shall be responsible for:  
  - Implementation and controlling of efficient and proper disbursement and the use of project funds in accordance with requirements of the GOV and the WB;  
  - Making payment and disbursement;  
  - Implementation of full and accurate accounts and records, including book entries, book-keeping in accordance with current regulations of GOV.  
Having bachelor of financial sector. Having experiences in financial management of project |
| **Cashier** | - The Cashier is responsible for cash management in the PMU, checking and reconciliation petty cash with account book in accordance with current regulations on accounting mechanism;  
- drawing of cash from Bank or  
Having diploma of financial sector and experiences in financial aspects. |
4.2. Project Planning and Budgeting

4.2.1. The objective of a project management plan:

The objective of a project management plan is to ensure completing the project on time in an economic manner. Project planning is an important tool for achieving project objectives. It helps a project implementing body set realistic goals for each year and quarter of the project’s life. Without planning, project implementing body lacks direction.

Through project planning, management of project and sub-project implementing body may arrange co-ordination between components and activities of the project. Since a project plan provides information about project activities and costs, it is a basis for supervising agencies of the Government, WB and other related parties to monitor and identify areas that require correcting action.

4.2.2. Project Planning and Budgeting

4.2.2.1. PPTAF

a) Requirement of project planning: the Planning – Financial Unit of the PCU shall be responsible for co-ordination with the PPTAF Project Task Team and the Sub-project Task Team of the Bank to discuss in order to develop the project plans for getting approval of the PCU’s Director for:

- Annual procurement and disbursement plans detailed for each contract and package;
- Quarterly procurement and disbursement plans detailed for each contract and package;
- Aggregation of annual and quarterly procurement and disbursement plans of the PPTAF Project and budget demand for the PPTAF Project and Sub-projects;
b) Basis for PPTAF project planning

- Financial Agreement, Project Appraisal Document (PAD), Feasibility Study Report (FS);
- Real demand for implementation, management and supervising of the PPTAF Project;
- Total demand from PMUs of Sub-projects in accordance with proposals from IAs;
- Budget plan for Sub-projects which have been submitted for approval by respective authorities;
- Consolidated financial reports of IAs and PMUs of Sub-projects.

(Refer to forms for planning and supervising in tables of item 4.2.3 hereinafter)

**Evaluation of plan execution:** based on reports and real supervision, the PCU shall analyze and evaluate the implementation situation of plan in the previous time period. The Supervision Unit shall be responsible for this task.

### 4.2.2.2 Sub-projects of IAs:

a) Requirement of project planning: the Planning – Financial Unit of the PMUs of Sub-projects shall be responsible for co-ordination with the Sub-project Task Team of the WB to discuss in order to develop and getting approval of the PMU’s Director, authorized representative of IAs for:

- Annual procurement and disbursement plans including: a) demand for implementation of Sub-project; b) demand of subsidies from PPTAF (if any) detailed for each contract and package;
- Quarterly procurement and disbursement plans including: a) demand for implementation of Sub-project; b) demand of subsidies from PPTAF (if any) detailed for each contract and package;
- Submission of approved annual plans and quarterly plans of Sub-projects to WB for getting support in execution and to the MPI (PCU) for disbursement plan and supervision;
- Submission of annual plans and quarterly plans of demand of subsidies from PPTAF (if any) to the PCU for consolidation;
- Submission of financial report of Sub-project to the MPI for consolidation.

b) Basis for project planning of Sub-projects

- Financial Agreement, Project Appraisal Document (PAD), Feasibility Study Report (FS);
- Real needs for implementation, management and supervision of Sub-projects;
• Proposals for subsidies from PPTAF which are approved by IAs shall be submitted to the PCU for combining into the general project plan of PPTAF.

(Refer to forms for planning and supervising in tables of item 4.2.3 hereinafter)

*Evaluation of plan execution*: based on submitted reports and real supervision, the PMUs of Sub-project shall analyse and evaluate the implementation situation of plan in the previous time period. The Supervision Unit shall be responsible for this task.

The responsibility for preparation and implementation of individual Sub-projects is with the IAs. The PCU will audit the IAs but is not responsible for authorizing or verifying IA transactions.
Table 4. Summary of PC/PMU Responsibilities & Scheduling of Project Planning Activities

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>Task</th>
<th>Time scheduling</th>
</tr>
</thead>
</table>
| The PCU under MPI in coordination with Project Task Team and Sub-project Task Team of the WB | - Preparation of annual and quarterly Procurement Plans (PP) detailed for each contract and package of PPTAF project  
- Preparation of annual and quarterly Disbursement Plans (DP) detailed for each contract and package of PPTAF project  
- Aggregation of the annual and quarterly PP and DP of the PPTAF project and proposals of Sub-project which are approved by PEA (if any)  
- Getting approvals of PCU’s Director and authorized representative of MPI  
- Getting support from WB for execution and informing PEAs about subsidies plan for the Sub-projects | - On December 10th, the previous year of the planning year and 20 days before the current quarter ends  
- On December 10th, the previous year of the planning year and 20 days before the current quarter ends  
- On December 10th, the previous year of the planning year and 20 days before the current quarter ends  
- On December 25th, the previous year of the planning year and 5 days before the current quarter ends  
- On December 25th, the previous year of the planning year and 5 days before the current quarter ends |
| PMUs of PEAs in coordination with Sub-project Task Team of the WB | - Preparation of annual and quarterly PP detailed for each contract and package of each Sub-project and proposal for subsidies from PPTAF (if any)  
- Preparation of annual and quarterly DP detailed for each contract and package of each Sub-project and proposal for subsidies from PPTAF (if any) and getting approval of PEA  
- Submission of approved annual and quarterly PP and DP and proposal for subsidies from PPTAF (if any) to the MPI (PCU) for aggregation  
- Submission to WB for getting support for execution of Sub-project | - On December 10th, the previous year of the planning year and 20 days before the current quarter ends  
- On December 10th, the previous year of the planning year and 20 days before the current quarter ends  
- On December 10th, the previous year of the planning year and 20 days before the current quarter ends  
- On December 25th, the previous year of the planning year and 5 days before the current quarter ends  
- On December 25th, the previous year of the planning year and 5 days before the current quarter ends |
4.2.3. Forms for Planning and Supervising

4.2.3.1. Responsibilities and time for project plan preparation, updating and adjustment are shown in Table 5

Table 5. Responsibilities and time for project plan preparation, updating and adjustment

<table>
<thead>
<tr>
<th>Work details</th>
<th>Unit in charge</th>
<th>Time to complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement plan development</td>
<td>Procurement and Planning</td>
<td>July 10 annually</td>
</tr>
<tr>
<td>Financial and disbursement plan preparation</td>
<td>Finance and Accounting</td>
<td>July 20 annually</td>
</tr>
<tr>
<td>Supervision and updating activities of procurement packages</td>
<td>Procurement and Planning</td>
<td>Regularly</td>
</tr>
<tr>
<td>Adjusting procurement plans (if necessary)</td>
<td>Procurement and Planning</td>
<td>20 days before the starting date of the first or second half of the financial half-year</td>
</tr>
<tr>
<td>Supervising, updating and making payment and disbursement</td>
<td>Finance and Accounting</td>
<td>Regularly</td>
</tr>
<tr>
<td>Adjustment of financial and disbursement plans (if necessary)</td>
<td>Finance and Accounting</td>
<td>10 days before the starting date before the starting date of the first or second half of the financial half-year</td>
</tr>
</tbody>
</table>

According to the above table, all plans are prepared for the financial year so they should be completed before the start of the financial year in compliance with the process of preparation and approval of state budget (in July annually).

These plans must be monitored regularly accordingly with the actual implementation, disbursement and payment progress. Any adjustment, if necessary, will be made for the second half of the financial year.

4.2.3.2. Planning forms

Forms for planning

The procurement plan should be prepared in the format specified in the following forms to provide information for reporting purposes and to form the basis for financial and disbursement planning.

Table 6. Project procurement form Procurement plan for 200X

<table>
<thead>
<tr>
<th>No.</th>
<th>Bid description</th>
<th>Component</th>
<th>Planned amount</th>
<th>Procurement method</th>
<th>Preparation time</th>
<th>Bidding Completion time</th>
<th>Work Completion Time</th>
<th>Current progress</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
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</tbody>
</table>
Financial and disbursement plans are prepared (and modified) based on the Annex 1 of the Circular 108/2007 (MOF). The format is displayed in the table 7.

**Table 7. Financial and disbursement plan format Financial and disbursement plan 200X**

<table>
<thead>
<tr>
<th>No.</th>
<th>Component</th>
<th>Total project amount</th>
<th>Amount implemented to date</th>
<th>Plan for 200X</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>ODA</td>
<td>Counterpart</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
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</tbody>
</table>

Notes:

If the project has more than one donor, total ODA funds should be recorded separately for each donor (adding to the columns 3, 6, and 9)

If the ODA fund is disbursed for more than one purpose (construction, administration, budget aids, on-lending), columns 4, 7, and 10 need to be separated for details accordingly.

**Plan implementation supervision**

The supervising of plan implementation can be done using the following contract management form:

**Table 2.4. Contract management form**

<table>
<thead>
<tr>
<th>No.</th>
<th>Bid name</th>
<th>Contractor</th>
<th>Date of signing</th>
<th>Planned Completion Time</th>
<th>Value of the bid</th>
<th>Physical Work Progress (%)</th>
<th>Payment progress</th>
<th>Payment planned for the year</th>
<th>Remained amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
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</tr>
</tbody>
</table>

In principle, the supervision of plan implementation is assigned to the division in charge of plan preparation. Accordingly, the Procurement and Planning Division is responsible for monitoring the plan implementation until completion of bids. The Financial and Accounting division monitors and reports all financial aspects of the project relating to disbursement; and making payment to contractors/suppliers according to the work completion progress and to the approved plans.

The Finance and Accounting division is responsible for monitoring the plan implementation.

The reporting of plan implementation and payment progress is prepared by the Finance and Accounting division (with assistance from Procurement and Planning, and Technical divisions) at the quarter ends. This division sends the reports to the PCU’s Director and
PMU’s Directors. In addition, information of the reports is used to prepare other reports as requested by donors and authorized state bodies.

The analysis of plan implementation must cover the following:

(i) actual physical work and payment progress compared to plans for overall project, for each component and for each bidding package;

(ii) the reasons for differences;

(iii) the measures to resolve problems to speed up the progress as planned; and

(iv) the persons in charge of carrying out the measures should be stated. The report must show how the project can be completed as scheduled and committed in the Financing Agreement, compare the actual implementation progress with its plan, and how the situation can be improved after taking all the necessary mitigation measures. The analysis report should be presented as part of the project progress reports.

The contract management forms should be prepared for each contract and will be updated regularly by the assigned staff. At the end of the reporting period, all forms will be consolidated into one for the whole project. The Financial and Accounting division is responsible for fulfilling this form.

In addition, depending on the nature of the project funding and required information for reporting purposes, the PCU and PMUs may need to record the contract details by sources of ODA funds and counterpart funds.

4.3. Disbursement Process

4.3.1. Principles for disbursement

At PCU:

- PCU would be responsible for managing the Designated Accounts at the commercial bank.
- PCU would be responsible for withdrawals of IDA
- Consolidating, reporting for WB and Government.
- Withdrawals of IDA at PCU and making payments for PMU’s expenditures above SOE (estimated to cost the equivalent of $500,000 or more).
- PCU shall act as an inter-coordinator between the WB and PMUs.

At PMUs:

- To be responsible for management of PMU Designated Account, including direct expenditures from such account.
- PMU shall make payment for PMU’ expenditures by advance method. But for expenditures exceed SOE, PCU shall make payment at PMU’s request to the respective contractor/supplier.
• Reimbursement of expenditures: PMUs shall make reimbursement of expenditures quarterly (latest on the 10th first month of the next quarter). If in 2 consecutive quarters, the reimbursement is not made by the PMU, the penalty shall be applied by the PCU the method that the PCU shall make payment directly to expenditures from IDA funding.

Form for reimbursement: according to the Bank’s requirements, PMU shall be requested to submit with the State of Expenditures (SOE) copies of contract documents and attached records evidencing expenditures; Submission of attached records evidencing expenditures is requested also for Advance Contracting.

- Cash ceiling: VND 50,000,000 (in some cases such as organisation of workshop, training, etc, detailed explanation shall be requested and approved by the PCU’s Director).

**4.3.2. Project Account**

**4.3.2.1. Project Account for IDA Funding**

Project account shall be opened at a Commercial Bank only for receiving and disbursement of IDA fund.

**4.3.2.1.1. Designated Accounts**

The PCU may open a designated accounts at the Project Account into which the Bank may deposit amounts for the purpose of paying for regular eligible expenditures of the Project in order to minimize the numbers of withdrawal of credit proceeds and to speed up the disbursement progress of the project.

At PCU: Designated Accounts (DA) (in USD) shall be opened at commercial bank. Thresholds of Designated Accounts shall be applied as: $5,000,000 (Five million US dollars)

**4.3.2.1.2. PMU’s Accounts**

Designated Accounts (DA) (in VND) shall be opened at commercial bank (should be at the same bank system of PCU) with the thresholds at $500,000 (Five thousands US dollars). However for international payment (amount in USD), PMU shall submit the payment request to the PCU.

The threshold of PMU’s account could be changed in consistent with actual progress, and based on the written agreement between WB and MPI.

*(Annex: Disbursement Letter)*

**4.3.2.2. Counterpart fund accounts**

PCU: Deposit account (in VND) at State Treasury for PCU’s counterpart funds.
PMU: Deposit account (in VND) at State Treasury for PMU’s counterpart funds and the PEA’s shall make balance based on their annual plan of state budget for respective Sub-project.

4.3.2.3. Others accounts

PCU: Others accounts (in VND) at commercial bank, State Treasury for receiving of other funds of PCU and for dealing with other business beyond IDA fund and State Budget.

PMU: Others accounts (in VND) at commercial bank, State Treasury for PMU’s other funds and for dealing with other business beyond IDA fund and State Budget.

4.3.3. Disbursement Guidelines

4.3.3.1. Applied disbursement methods

The following 03 disbursement methods are used:

- **Reimbursement**: The WB may reimburse the borrower for expenditures eligible for financing pursuant to the Project (“eligible expenditures”) that the Project has pre-financed from its own resources.

- **Advance**: The WB may advance loan proceeds into a designated account of the Project to finance eligible expenditures as they are incurred and for which supporting documentation is provided.

- **Direct Payment**: The WB may make payments, at the borrower’s request, directly to a third party (e.g., supplier, contractor, and consultant).

4.3.3.2. Withdrawals to the Designated Accounts

a) Chart 3: Withdrawal process to DAs of PCU

![Diagram of withdrawal process to DAs of PCU](image_url)

**Note:**
- **Documentations**
- **Fund flows**
Chart explanations:

1. PCU submit the Withdrawal Application (with supporting document) to MOF (DMEFD);
2. Within 5 working days, MOF reviews, endorses and co-signs the WA to send CPO/PCU and WB;
3. WB reviews the WA and supporting documents and makes fund transfer to PCU’s DAs at Commercial Bank.
4. Commercial Bank informs PCU as soon as getting WB funds.

b. Chart 3.1: Withdrawal process to DAs from PCU to PMU

1. PMU submit the Withdrawal Application (with supporting document) to PCU;
2. Within 5 working days, PCU reviews, endorses and signs the WA;
3. PCU should send its Payment order to PCU’s Commercial Bank makes transfer to account at PMU’s Commercial Bank.
4. Commercial Bank informs PMU as soon as getting PCU funds.
4.3.4. Payment expenditures

4.3.4.1. Direct Payment process:

Chart 4: Direct Payment process at PCU

Note: 
- Documentations
- Funds flow

Chart explanations:

1. Contractor/Supplier/Consultant submits its request for payment to PCU
2. PCU prepares necessary documents for payments and sends to respective State Treasury for its verification;
3. State Treasury informs the verified result back to PCU;
4. PCU submits the Withdrawal Application (for direct payment with supporting document) to MOF (DMEFD);
5. Within 5 working days, MOF reviews, endorses and co-signs the WA to send PCU and WB;
6. WB reviews the WA and supporting documents and makes fund transfer to contractor’s account
Chart 5: Direct Payment process at PMU

Note:  
- Documentation flow
- Funds flow

Chart explanations:

1. Contractor/Supplier/Consultant submits its request for payment to PMU
2. PCU prepares necessary documents for payments and sends to respective State Treasury for its verification
3. State Treasury informs the verified result back to PCU
4. PMU submit the Withdrawal Application (for direct payment with supporting document) to PCU;
5. PCU reviews the Withdrawal Application (for direct payment with supporting document) to MOF (DMEFD);
6. Within 5 working days, MOF reviews, endorses and co-signs the WA to send PCU and WB;
7. WB reviews the WA and supporting documents and makes fund transfer to contractor’s account
4.3.4.2. Reimbursement process:

Chart 6: Reimbursement process

Chart explanations:

1. 1(a), 1(b). Contractor sends its request for payment to PCU/PMU
2. 2(a), 2(b). PCU/PMU prepares documents and submits respective State Treasury for its verification
3. 3(a), 3(b). State Treasury informs the result back to PCU/PMU; State Treasury advances State budget to pay contractor
4. 4(a). PMU prepares WA for reimbursement and submits PCU
5. PCU reviews and submits MOF (DMEFD)
6. MOF reviews, endorses and co-signs the WA to send PCU/PMU WB;
7. 7(a), 7(b). WB reviews the WA and supporting documents and makes fund transfer to Commercial Bank (State Treasury’s account for reimbursement of state budget).

4.3.5. Disbursement at Designated Accounts of PCU and PMU

General principles:

- All the PCU’s expenditures and over threshold amounts shall be paid at PCU
- PMUs’ expenditures shall be paid at PMUs’ by advance disbursement method
- Assignment of “Threshold”: Threshold is a defined amount, with it all the payment amounts over the threshold shall be disbursed by the Designated Account of the PCU and
the lower shall be at the PMU’s. Currently, the Threshold is defined at US$ 500,000. This Threshold may be adjusted during implementation of the Project.

- Requirements on advance payment: Advance payment is used for disbursement of Contractor’s expenditures under the threshold by the PMUs. Advance payment is made at PMU’s account. Advance payment shall be made quarterly and shall be reimbursed quarterly. Balance of advance shall be defined as maximum expenditures for the next 6 months period but shall not be exceed the advance threshold at US$ 500,000. This threshold may be adjusted during implementation of the project. Advance payment shall be reimbursed quarterly within 15 days before ending of the quarter. If in consecutive 2 quarters an advance payment is not reimbursed by a PMU, he shall not be anymore disbursed by advance payment. As replacement, the payment shall directly be made by PCU to the respective Contractor of that PMU.

4.3.5.1. Disbursement of PCU’s and PMUs’ amount at threshold or over threshold

Chart 7

Chart explanations:

1. Contractor submits payment request to PCU (1(a)) and to PMU (1(b));
2. PCU submits payment request together with records evidencing expenditures to the Expense Controlling Unit (2(a)) and the PMU submits payment request together with records evidencing expenditures to the Expense Controlling Unit (2(b));
3. PMU submits payment request to PCU;
4. PCU directs the commercial bank to make payment; and
5. Payment is made via the commercial bank to PCU’s Contractor (5(A)) and PMU’s Contractor (5(b)).
4.3.5.2. Disbursement of under threshold expenditures of the PMUs

Chart 8

Chart explanations:
1. PMU submits his payment request to PCU;
2. PCU directs the Commercial Bank transfer the advance payment to the PMU’s project account at the Commercial Bank
3. The Commercial Bank of the PCU shall transfer the amount to the PMU’s project account at the Commercial Bank
4. Contractor submits his payment request to PMU
5. PMU submits the Contractor’s payment request with attached records evidencing expenditures to the Expenses Controlling Unit
6. PMU directs the Commercial Bank making payment
7. The Commercial Bank makes payment to the Contractor
8. PMU submits records evidencing expenditures for final settlement of advance payment get paid from PCU.

4.3.6. Documents

4.3.6.1. Supporting documents for DA WA

a. Supporting documents for DA WA at PCU

Legal procedures before WA submission:
After project effectiveness and DAs are opened at PCUs, MPI send their official letters to State Bank of Vietnam to inform the account number of authorized specimens

Supporting documents for DA WA:
- Initial Withdrawal:
  - Official Request for Withdrawal by PCU.
  - Withdrawal Application (in WB format): 5 copies (in English)
- DA Replenishment:
  - Official Request for DA replenishment by PCU
  - Withdrawal Application (in English):
    - Statement of Expenditures and Summary Sheets prepared by PCU which show details of transactions from the DA (in English);
    - Account Reconciliation Statement prepared by PCU (in English)
    - Bank Statement of DA prepared by PCU’s Commercial Bank
    - Original Claims for payment certified by respective State Treasury for PCU contracts/expenditures
    - Statement of Expenditures prepared by PCU detailed by payment dates, payees, verification agency, number/date of verified certifications. This statement is served as the basis for MOF to process debiting and crediting procedures.
    - Within 5 working days, MOF will review, endorse and co-sign the WA to send WB

**Dossier submitted WB:**
- Withdrawal Application
- Statements of Expenditures (SOE) prepared by PCU to show the detailed payments from DA
- Summary Sheets of prior review contracts with copies of payment dossier/voucher.
- Account Reconciliation prepared by PCU
- Bank Statement of DA prepared by Commercial Bank

Detailed forms are provided in the attached Annexes.

**b. Supporting documents for DA WA at PMU**

**Legal procedures before WA submission:**

After sub-project effectiveness and DAs are opened at PMUs, PMU send their official letters to PCU to inform the account number of authorized specimens.
**Initial Withdrawal:**

- Official Request for Withdrawal by PMU
- Withdrawal Application (in WB format): 3 copies (in English)

**DA Replenishment:**

Quarterly or when the balance of PMU account is less than 50% of initial advance, PMU would request PCU to replenish its account. The dossiers sent to PCU are as follows:

- PMU official letter requesting the replenishment
- Monthly Bank Statements of PMU account;
- Statement of expenditures out of PMU account;
- Claims for payment verified by ST (original);
- For the payments above SOE threshold, the PMU should submit the copies of signed contracts and vouchers.

Based on the PMU request, PCU would transfer money to PMU account.

By the end of 4th quarter, PCU and PMUs would make the reconciliations and agree on total receipts and uses of funds in that year

**4.3.6.2. Records evidencing expenditures**

*SOE thresholds:*

The following contracts are above SOE thresholds of which supporting documentation must be enclosed with WAs:

- each contract for goods estimated to cost the equivalent of $100,000 or more;
- each contract for consultants’ services provided to cost the equivalent of $500,000 or more;
- each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more;

All other contracts shall be subject to post review by the WB, and no supporting documents required
a. Payment process for PCU’s expenditures

Chart 9

1. Contractor/Supplier sends its Request for payment to PCU or in case of incremental costs for PCU;
2. PCU prepares necessary documents for payments and sends to respective State Treasury (ST);
3. Within 5 working days, ST reviews and verifies the eligible documents (in which clearly defining how much counterpart fund and how much IDA funds) and sends its certification of expenditures verification to PCU;
4. PCU send its Payment Order to respective Commercial Bank (C.B)
5. C.B makes payment to contractor
6. State Treasury makes payment from counterpart funds (if any) to contractor

Note:
- Exchange rate for payment and recording is the C.B’s exchange rate at paying date.
- For the expenditures 100% funded by WB, it does not include step (6) in above chart

* PCU’s expenditures:
- Expenditures for PCU’s equipments and stationery, vehicles for PCU.
- Services including: annual external audits, independent consultants, training activities, consultants for thematic research/studies and some other services
- Training, capacity building activities for project staff on the basis of approved plans.
- CPO’s operating costs: conferences and workshops, office operating costs, salaries for project staff (including contracted staff), allowances, etc.
- Office renting for PCU.
*Payment procedures of PCU:*

**Dossiers to be submitted to Central ST for its verification:**

- Annual cost estimation by the competent authority
- Decision on approval of procurement plan by the competent authority;
- Decision on cost estimate approval of each package/activities (if needed);  
- Decision on approval of bidding result by the competent authority;
- Signed contract with contractor/supplier;
- Contract Performance Guarantee (for first advance of the contract);
- Minute for Checking upon delivery (for each payment as stipulated in the signed contract)
- Checking and Taking-over minute and Contract Liquidation (for the final payment);
- Copy of eligible invoice of procured goods.

**b. PMU’s expenditures**

- Payments for office equipment
- Expenditures for service contracts, such as: consulting services, trainings, consulting services for thematic researches and other services
- Training, capacity building activities for project staff on the basis of approved plan.
- PPMU’s operating costs: conferences and workshops, office operating costs, salaries for project staff (including contracted staff), allowances, etc.

**Payment Procedures of PMU:**

Dossiers to be submitted to Provincial ST for its verification:

- Decision on approval of annual plan by the competent authority (submitted once a year).
- Decision on approval of procurement plan by the competent authority
- Decision on approval of bidding result by the competent authority.
- Signed contract with contractor/supplier
- Contract Performance Guarantee (for first advance of the contract);
- Minute for Checking upon delivery (for each payment as stipulated in the signed contract)
- Checking and Taking-over minute and Contract Liquidation (for the final payment);
- Copy of eligible invoice of procured goods

**4.4. Retroactive Financing**

**4.4.1. Project activities to be financed by retroactive funds**

- Training and capacity building activities on the PIM (FM and disbursement procedures, procurement, etc.) and some training courses for Project implementation.
- Some consultant services for training curriculum preparation
- Goods packages for PCU equipments
Based on Project annual plans PCU has consolidated and prepared the overall plan for retroactive funding to submit WB for its NOL.

4.4.2. Some regulations on retroactive financing

- Total amount to be used for retroactive financing is US$ 100,000
- Duration for retroactive financing: from 1st June 2010 to the effectiveness date.
- All expenditures should be followed the WB procurement procedures
- Implementation Approach: the Government has advanced some funds to pay for eligible expenditures. After the project is effective and disbursement is processed, PMUs would submit the WA (with supporting documents) to request for the WB reimbursement.

4.5. Project accounting system, reporting and liquidation

4.5.1. Some general regulations

4.5.1.1 Basic accounting policies:

- Financial statements are prepared on the basis of historical cost accounting.
- Fiscal year: starting on 1 January and ending on 31 December every year
- Income is recognized when received, and expenditure is recognized when incurred.
- Accounting system: current accounting system on the basis of MOF’s Decision No 19/2006/QD-BTC dated March 30, 2006 for the owners
- The applicable exchange rate for transactions conducted in foreign currencies is the one prevailing at transaction time. For assets and liabilities in foreign currencies on the balance sheet the applicable exchange rate is that of the date of the quarter ends or year-ends. All exchange rate differences must be dealt addressed in the exchange rate difference account and recognized on the balance sheet.
- Accounting transactions are recorded in VND currency. However, for the Designated Accounts, transactions are recorded both in USD and VND.
- For reporting purposes, most reports required by the World Bank are presented in USD currency.
- Financial reports shall be submitted regularly to the PCU for aggregation before submitting to the WB and GOV

4.5.1.2. Book-keeping:

- At PCU: Accountants record by MS Excel
- Steps for book keeping:
- Project staff should have good understanding of the regulations, provisions and conditions of Project Appraisal Document, Financing Agreement, Procurement Guidelines, Disbursement Handbook and Project Financial Management Manual to ensure that the project is implemented in line with the relevant regulations.
- All transactions of project should be supported with original documentation (copy is not allowed) for bookkeeping and accounting purposes.
- Based on verified and reconciled original documents, accounting staff check and review accounting documents and record in accounting books following the standard procedure.
- All transactions of project are accounted for in the right accounts, periodically, summarized and reported following the government and the World Bank’s regulations and requirements.

4.5.1.3. Accounting books and documentation

- The accounting and bookkeeping system following the GOV accounting policy which issued in the MOF’s decision No. 19/2006/QD-BTC.
- In additions, the documents required by the World Bank for the loan application, withdrawal or finalization of WB loans.

4.5.1.4. The accounting and bookkeeping arrangements:

- The accounting documentation of the project shall be for all accounting items such as cash flows, inventories, fixed assets, labors and wages, and project implementing progress.
- There should be procedures to control and enable the cross-checking of proofs of transactions, data, signatures and endorsement and other relevant documents.
- The accounting system must ensure the reasonable routing of vouchers between the accounting units of PMU as well as between project accounting departments for the purpose of conveniently and timely recording into accounting books.
- The accounting system must maintain vouchers and other supporting documents and archive them at the end the fiscal year as requested by the current regulations.

4.5.1.5. Flows of documentation

The chief accountant is responsible for the organization and management of all accounting activities within the Project capacity.

Procedures of voucher treatment are carried out as follows:
Only the Director and Chief Accountant have the authorization to approve all vouchers and invoices.

### 4.5.1.6. Filing and archiving of vouchers and accounting records:

- To ensure the continuity in following up and treatment of all vouchers, each and every staff has the responsibility to file and archive accounting records in the current accounting period.
- In case of staff replacement, re-assignment or re-arrangement, the responsible staff has to hand over all vouchers, records within their responsibility in the witnesses of the Chief Accountant and the PMU Director.
- At the end of a fiscal year and after the completion of the accounting works such as check, reconciliation and preparation of financial statements, all vouchers, accounting records are arranged, classified, packed, sealed and stored in the accounting unit of Project.
- Archives will be carried out based on the existing regulation of Vietnam.

### 4.5.2. Project Accounting System (Appendix attached)

### 4.5.3. Financial report

#### 4.5.3.1. Basic reporting policies

PCU should consolidate the data of PMU.

#### 4.5.3.2. Project reporting System

- PCU: following the GOV accounting policy which issued in the MOF’s decision No. 19/2006/QD-BTC
- PMU: following the GOV accounting policy which issued in the MOF’s decision No. 19/2006/QD-BTC.

#### 4.5.3.3. Deadline for Report submission

- PCU:
  - The WB requirements on project reporting: Quarterly reports, within forty (45) days after the end of each quarter; Annual reports, within the 31st of January of
the subsequent year; Completion report, within six (6) months after the completion of the program/project and has audited.

- Vietnam’s reporting requirements: Quarterly reports, within fifteen (15) days after the end of each quarter; Annual reports, within the 31st of January of the subsequent year.

- PMU: Quarterly reports, within ten (10) days after the end of each quarter; Annual reports, by the 20th of January of the subsequent year.

4.5.4. PCU, PMU’s Report requirements

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4.5.5. Project reporting System (Appendix attached)

4.6. Project accounting finalization

The Administrative Projects or components must prepare and submit the annual finalization as regulated in the Decision 19/2006/QD-BTC and Circular 01/2007/TT-BTC
a. Objective:

The objective of project accounting finalization procedures is to summary all eligible expenditures to complete the project. Eligible expenditures are the ones made within the designed project scope, planned and approved, including related adjustment, supplements and in accordance with financing agreements and current legislations. Project investment capital in final accounting must be within the limits approved by authorized body.

b. Project accounting finalization:

Upon the completion of the project, the PMU prepares the project final account to submit to PCU, PCU consolidate and to submit to the authorized government body for its review and approval. The project final account must provide complete and accurate pieces of information such as the total investment cost, the capital sources, other expenses which were not capitalized; the value of assets generated from the project: fixed assets and current assets.

The project completion final accounting report contains:

(a) Project resources detailed by sources
(b) Project cost by expenditure items: construction, equipment, others which are detailed to project components.
(c) Expenditure which is not determined as part of the project asset value
(d) Timeframe for accounting finalization: After closing date and has audited.

4.7. Internal controls

4.7.1. Objectives and Principles of Internal Controls

4.7.1.1. Objectives

The internal control forms part of the financial and accounting policies for the management of the Project. The objectives of the internal controls are to:

(e) contribute to ensure adherence to GOVN's, donors' regulations and guidelines and project policies and procedures;
(f) contribute to achieve clear and transparent financial practices;
(g) contribute to promoting operational efficiency;
(h) provide controls to safeguard the Project assets;
(i) facilitate the early detection of errors and problems.

4.7.1.2. Principles of Internal controls

The basic principles of the internal controls are as follows:

i) monitoring, checking and approving, by an upper level, of expenditures and procurements executed by the lower level;
ii) defining responsibilities of project staff commensurate with position and level of authority;

iii) separating specific responsibilities of staffs;

iv) using appropriate method to ensure proper custody of assets;

v) ensuring full and appropriate documentation;

vi) using internal procedures for cross-checking of accounts, payments and transaction entries for timely detection of errors;

vii) prepare annual inventory of assets.

4.7.2. Internal control mechanism

4.7.2.1. Responsibilities for Internal Controls

The Project’s management is responsible for developing, implementing and monitoring a sound system of internal controls.

4.7.2.2. Some requirements for internal Controls:

Financial controls consist of measures adopted by management to protect its assets and to ensure the accuracy and reliability of its accounting records and financial reports. Key internal controls to be implemented by PCU/PMU are:

a. Competent and Reliable Personnel: The internal control system relies on the people running it. Employees should be adequately trained and properly supervised to enable them to carry out their duties and responsibilities effectively.

b. Separation of Functional Responsibilities: A person should not have complete control of a transaction from beginning to end. There should be clear understanding as to who will approve, what is to be approved and the limitations of authorisation. The approving officers should not have responsibility for posting or the ability to change accounting records.

- Assignment of Responsibility for Every Function: Employee responsibilities should be clearly defined to avoid overlapping or unassigned areas of responsibility (e.g., an organization chart should be prepared). Staff must know their responsibilities and whom they report to.

- Separation of Asset Custodianship and Accounting: The accounting function should be separated from the custody of assets (e.g., an employee who is entrusted to receive cash should not have access to the cash journals or ledgers).

c. Security Measures: Techniques, procedures and measures should be employed to protect assets and ensure reliable accounting data and reports (e.g., use of mechanical devices such as vaults and cash registers; use of control accounts and subsidiary ledgers).

d. Supervision: Internal regulations should include the supervision of staff. For example, the supervision of the director or manager of a DPMU for example on setting up of annual estimated expenditures, approving of the annual reports, or the supervision of chief
accountant to the process of setting, recording of transactions made by assistants, and the preparation of financial statements.

e. Regular Independent Review: Internal auditors should regularly review and evaluate the system of internal controls to determine whether it is functioning effectively as planned (e.g., internal auditors’ findings and recommendations should be submitted to senior management for action).

f. Control of Transactions: Every transaction should be authorised, approved, executed and recorded according to prescribed procedures (e.g., staff are not free to procure without the approval of the manager).

g. Serially Numbered Documents: Organization documents should be serially numbered to check completeness of transactions (e.g., checks, invoices and vouchers should be serially numbered).

h. Sequencing: Accounting control system should be set up in such a manner that proper sequencing is followed with regards to payments, posting of transactions to ledgers etc. For example payments should not be authorised or made before the goods or services for which the payment relates to has been received by the project.

i. Duration of documentation archiving: Full documentation of project transactions will be managed and recorded in accordance with existing regulations. They should be kept for 10 years in good conditions to avoid damage and ensure easy access when needed. Document demolishment (if necessary) shall be done with prior approval of competent authority.

4.7.3. Contents of Internal control

4.7.3.1. Controls of cash and project accounts

a. Cash control:

According to the existing applicable law and regulation, it is encouraged to pay through the bank account for convenience and to ensure the safety. However, at PCU/PMUs, there is a petty cash fund available for PCU/PMU. This cash amount will be used for the small and unexpected expenditure and/or impossible for supplier to pay through bank accounts for most of supplier.

The regulation on petty cash control is as follows:

- The cashier’s duty need to be segregated with the accountant’s duty: the cashier of the project can hold several positions, but not the accountant position.
- Cash limit: Director of PCU/PMU can stipulate maximum balance of petty cash fund depending on requirement of project implementation in specific stages.
- Safety: Cash of PMU is kept in safe. Cashier is the only person keeping the key of the safe and code and responsible for receiving and paying cash
- Cash count:
+ Everyday, cashier has to check, reconcile actual cash balance with balance in petty cash book. If there’s a difference, it’s necessary to report to Director of PCU/PMU or Chief Accountant to find out the reason and resolution.

+ Cashier and chief accountant checks periodically (in the last day of checking month) and make a report as a proof of the cash count.

+ Surprise cash count is also done if the Director of PCU/PMU or Chief Accountant requires.

- Reconciliation: Actual balance is reconciled with balance in cash book (recorded and kept by cashier) and cash accounting book (recorded and kept by cash accountant).

b. Project Accounts at Commercial Bank

Each source of fund is monitored in separate bank account to assist the management, disbursement and replenishment of accounts timely

The bank accountant has to record transactions to account separately and periodically (monthly) reconciles between the project record balances with balances from bank statements.

The format for bank reconciliation can be as simple as containing the following items:

- Account balance as per bank statement;
- Account balance as per the project accounting records;
- The difference and explanations for such difference.

Note: The preparation of the bank account reconciliation is a must even in the case there is not difference.

The difference discovered in reconciling must be reported to the project chief accountant for timely response. In case the difference is significant, the project director must be informed.

- For the transactions through commercial banks, the accountants must:

  + Keep the voucher for each of transactions and attach to the payment document to prove that transactions have been done;
  + Ask for monthly statement from commercial banks; and
  + The accounts which are not in use must be closed timely.

- All payments from IDA bank accounts would only be made for eligible expenditures according to the regulations in the Financing Agreement and Requests for payment verified by State Treasury.
4.7.3.2. Procurement Controls

The project Chief Accountant and related accountants should work in close collaboration with the project Procurement officers to ensure that there is a proper internal control system for ensuring that:

- Contracts and all other significant aspects of procurement are properly approved and monitored (this is to ensure that goods and services have been provided in accordance with the terms of procurement, and properly managed and reported);
- Contract amounts are recorded from the agreed contracts and that subsequent changes are both in accordance with the contract provisions and properly approved and adjusted to the amounts in the contract records;
- Amounts invoiced and approved are noted showing date of approval including amounts payable, paid and deferred for future payment; and
- Payments against contracts are noted beside the relative contract showing date of payment (explanations should be made where payments have been delayed).

4.7.3.3. PCU expenditures and asset management procedures

a. PCU expenditures

PCU’s expenditures are cost for project’s management activities starting to incur from preparation of investment and ending after the finalization of investment;

- The PCU’s expenditures shall be complied with approved cost estimate;
- Based on approved costs estimate, accounting section shall do accounting upon monitoring and supervision of PCU;
- All expenditure shall be evidenced by the eligible documents, reviewed by the expenditure accountant before submitting to the Chief Accountant and Director for approval;
- All expenditure must be done as regulation of the Government of Vietnam on norms of expenditures;
- In the case of actual expenditure items are higher than estimates, but total PCU’ expenditures are still in the limit of approved costs estimate, then, PCU shall make explanation and adjustment for the next year costs estimate.

b. Fixed Asset Management

All purchases have to be properly accounted for and recorded in the fixed assets tags. Fixed assets need to be recorded in the fixed asset book. This register is prepared when acquiring the assets and updated at the year end when asset inventory is performed (at the current status column at the reporting date in a new form).

- Recording in the fixed assets must be based on accrual accounting and historical cost principle.
While implementing project all stipulations on recording decreasing value of fix assets must be observed.

During the project implementation, if assets are delivered to a third party, there must by formal decision form relevant authority and formal document to record the delivery with it status. The asset receiver has responsibility to manage the asset and annually report to the PCU about the status of assets. The PCU still has responsibility in update information and report about these assets.

The asset inventory is performed annually at the PCU and other parties using asset annually. The assets are counted in quantity by kinds, codes, status and compared with fixed asset book to discover any lost or damages for promptly actions.

At the end of the project, fixed asset must be counted and delivered to authorized body in accordance with current regulations and project agreement (if applicable).

4.7.3.4. Contract Management and Management of receivables and payables

The PMU assigns staff to manage signed contracts and receivables and payables. Contracts and receivables and payables must be managed well to serve payments and disbursement activities as well as progress and project reporting purposes.

Contract should be managed as followings:

- Contract documents: contract document should be filed properly;
- Contract implementation progress: the contract progress should be closely monitored, both in physical work and payment progress, and compared actual with the plans;
- Contract commitments: the contract commitments about the amount not yet paid and to be paid must be recorded and compared with total undisbursed amount of the Project.
- Monthly, receivable and payable accountants prepare a report to submit to the chief accountant and PMU director about the situation of receivables and payables with notes on overdue items for promptly response from the management.
- The reconciliation of balances with debtors and creditor must be done at least on a quarterly basis.

4.7.3.5. Management of advances to project staff

Advances can only be made for the activities of the project. The beneficiaries must be staff of the PCU. When there is a request for advance, the beneficiary must prepare advance request using the form C32-HD (as attached to the Decision 19/2006/QD-BTC of the MOF), submit the request to the head of his/her division, chief accountant and PCU director for approval.

Upon the completion of assigned job or at the deadline for the clearance of the advance, the beneficiary must clear the advance by preparing a payment request explaining actual expenditure (together with supporting documents/vouchers), the unspent amount to be returned, and the over-expended to be withdrawn.

If the beneficiary does not follow the reimbursement procedures on time, the accountant will inform the chief accountant and the PCU director for solutions. Based on the instructions
from the director, the Finance-Accounting division will seek for refund of the outstanding advances. For the advances which are overdue more than three months, in addition to other actions as instructed by the director, the Finance – Accounting division may deduct from the beneficiary’s monthly salary to repay the advance.

Accountants are to open a book for recording advanced payments in details to payees and progress of reimbursement.

PMUs shall be informed about payment of expenditures at threshold of exceed threshold by PCU

Collation between PCU and PMU for advance payments shall be made annually

4.8. Financial Audit

4.8.1. Project Financial Statement Audit

The PCU shall be responsible for selection of an independent audit firm. All the funds at PCU, PMUs need to be audited in accordance with international standards on financial statement audit

4.8.1.1. Auditing objective:

- Independent auditors issue their independent opinions on the financial position of the project at the fiscal year ends, on the disbursement and payment, expenditures from funding sources, opinions on expenditure statements, implementation report as well as report on project designated accounts;
- The annual financial statement audits are to check and verify the reliability and fairness of financial statements in a year in terms of financial management, and asset management to ensure that they respond to the commitments between the World Bank and the GoV;
- The audits are also to certify that project resources are used by the project owner in line with the procedure, regulations, financial and accounting regimes which are agreed upon between the GoV and the World Bank within the scope of the project;
- The audits are also to identify areas where attention is required to address financial management and procurement problems and improve procedures.

4.8.1.2. Scope of external audit:

The external audit will cover project financial statements including the project accounts at central level, Statements of Expenditure (SOE) and supporting documentation, the Designated Accounts at the provincial level, the Project accounts at the district level, and the Community Development Budget component.

The external audits will be carried out by an independent, international firm of auditors acceptable to the World Bank. The audit contracts will be financed 100% by IDA funds.
The external audit will cover some following issues:

(j) If financial statements are prepared in accordance with current accounting standards in order to meet reporting requirements from the World Bank and if they are applied consistently.

(k) If funds are used in accordance with agreed-upon commitments with reasonable regards to economical, efficient aspects and to project objectives.

(l) If counterpart funds are used in accordance with agreed-upon commitments with reasonable regards to economical, efficient aspects and to project objectives.

(m) If goods and services are purchased in accordance with related commitments.

(n) If all required documents and records are maintained in good conditions and show clear relationship with reports submitted to the World Bank.

(o) If the use of the designated account is in accordance with related commitments.

4.8.2. Sample Terms of Reference for Annual External Audit

(To be completed later when pcu recruits consultant firm for external audit)

4.8.3. Timing requirements for audit reporting

Audited financial statements including the audit report and management letter must be submitted to the World Bank not later than 6 months after the end of the accounting period.
CHAPTER 5: PROCUREMENT

This chapter details the Procurement guidelines and requirements of the PPTAF Project. If and when the Implementing Agency proceeds to the investment-project stage of the sub-project implementation, the IA must also fulfill the WB Procurement requirements specific to each sub-project.

5.1 Important Documents on Procurement

The PCU and PMUs will carry out procurement activities under the project in accordance with:

- World Bank’s “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004, revised in October 2006 (the Procurement Guidelines)
- “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004, revised in October 2006 (the Consultant Guidelines)
- The provisions stipulated in the Financing Agreement for the PPTAF Project.

The general description of various items under different expenditure categories is described in the following sections below. For each contract to be financed by the World Bank Credit, the different procurement methods or consultant selection methods, estimated costs, prior review requirements, and time frame have been agreed to between the borrower and the World Bank project team in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

5.2 Expenditure Categories

5.2.1 Procurement of Goods

The PCU is expected to procure a limited amount of goods and equipment for project management purposes (computers, printers, office equipment, utility vehicle, etc).

- All goods and equipment are readily available off-the-shelf goods of small value (less than US$50,000 equivalent per contract) and may be procured using Shopping procedures.
- Specialized goods that meet the criteria set forth in paragraph 3.6 of the Bank’s Procurement Guidelines may be procured on Direct Contracting basis subject to the Bank’s prior concurrence.

5.2.2 Selection of Consulting Services

Consulting services used under the project will mainly involve feasibility studies, detailed designs, and procurement—but may also include other activities required for sub-project preparation. These could include: (a) scoping and prioritization of project concepts; (b) strategic options studies; (c) all safeguards instruments; (d) surveys and tests; (e) design for policy work; (f) preparation of terms of reference for consulting services to implement the sub-project; (g) managerial and financial management support; (h) procurement supports; (i) preparation of operations manuals; (j) training and workshops; (k) preparation of documentation to prepare a sub-project under public-private partnerships arrangements, (l) and other activities agreed between the Borrower and the Bank.
In procurement of these consulting services, QCBS would be considered first. Where QCBS is not suitable, other selection methods including QBS, LCS, CQS (CQS may only be used for small assignments estimated to cost less than US$100,000 per contract) and Individual Consultants may be used subject to nature and values of specific assignments. In exceptional circumstances as described in paragraph 3.10 of the Bank’s Consultant Guidelines, SSS may be used subject to the Bank’s prior agreement. The Bank’s Standard Request for Proposals will be used in selection of consultants (firms). The shortlist may comprise entirely national consultants if: (a) the estimated cost of the assignment is below US$200,000 (in accordance with provisions of paragraph 2.7 of the Consultant Guidelines); (b) a sufficient number of qualified firms is available for having a shortlist of firms with competitive costs; and (c) competition including foreign consultants is prima facie not justified or foreign consultants have not expressed interest.

5.3 Actions Required of PCU and PMU

Procurement under the proposed project would be carried out by the PCU and PMUs. To ensure compliance with procurement guidelines and to strengthen the PCU’s and PMUs’ procurement performance capacities, the following actions agreed to between the World Bank and borrower must be followed.

- The PCU and all PMUs must be adequately staffed with key staff, including at least one procurement specialist with relevant procurement experience and qualifications.
- The PCU will hire a qualified consultant as part of the Facility Support Unit (FSU) to oversee, support, and monitor procurement performance of the PCU and PMUs.
- Each PMU will be supported by the FSU for preparation of TOR, RFPs, bid evaluation, etc., for its respective sub-project(s).
- Intensive procurement training will be carried out with support from the PCU for project procurement staff in the PMUs with a focus on methods for selection of consultants, especially QCBS procedures.
- When agreement has been reached and initial approvals obtained by a sub-borrower to use the PPTAF facility, the PMU, with support from PCU, will prepare and submit a Procurement Plan to the PCU. The Plan will include details of the procurement management resources of the PMU. The Plan would form a basis for prior review by the World Bank. The Procurement Plan for the proposed sub-project, including both consulting services and all investments proposed shall be submitted to the World Bank for review: (a) no later than 3 months after the formation of the PMU; and (b) at least 2 months before the PMU proposes to submit the first consulting assignment TOR for World Bank review.
- The detailed Governance Transparency Action Plan (GTAP), which is to include specific measures to improve fairness and transparency as well as to curb fraud and corruption in procurement, will be prepared and followed by PCU and PMUs.
5.4 Procurement Plan

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

5.5 World Bank Prior-Review

The following thresholds for World-Bank prior-review have been established:

(i) All contracts with consulting firms estimated to cost $100,000 equivalent or more per contract.
(ii) All contracts with individuals for procurement support.
(iii) All goods contracts awarded on Direct Contracting basis and all consultants’ contracts awarded on Single Source Selection basis.

Prior review thresholds are captured in the tables below:

**Goods**

<table>
<thead>
<tr>
<th>Procurement Method</th>
<th>Procurement Method Threshold</th>
<th>Prior Review Threshold</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Shopping (Goods)</td>
<td>&lt; $50k</td>
<td>None</td>
<td></td>
</tr>
</tbody>
</table>

**Consultants**

<table>
<thead>
<tr>
<th>Selection Method</th>
<th>Prior Review Threshold</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. QCBS (Firms)</td>
<td>&gt;$100 k</td>
<td></td>
</tr>
<tr>
<td>2. CQS</td>
<td>&gt;50 k</td>
<td></td>
</tr>
<tr>
<td>3. Individuals</td>
<td>None</td>
<td>Only exceptional cases</td>
</tr>
</tbody>
</table>
CHAPTER 6: SOCIAL AND ENVIRONMENTAL SAFEGUARDS

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

SAFEGUARD MANAGEMENT FRAMEWORK

Introduction and Project Description

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

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

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

Institutional and implementation arrangements

4. Ministry of Public Investments (MPI) – with its multi-sector coordinating role – is the project Executing Agency. The project will work with numerous implementing agencies (IAs), (ministries, government-owned entities, provinces, and municipal governments) which will access the facility to prepare investment projects for possible follow-on financing from the Bank. MPI, as the project owner and Executing Agency, will be responsible for project implementation. MPI’s overall role will be to monitor, coordinate, and manage the project, to provide IAs with capacity building support where required, and to ensure that project IAs implement their respective subprojects effectively, to agreed schedules, and in accordance with the Project Operations Manual (POM).
5. **Project Coordination Unit (PCU).** MPI will establish a PCU that will be responsible for project coordination and implementation – including procurement of consultants necessary for its functions, financial management, monitoring and evaluation, ‘top-level’ quality assurance of activities undertaken by the IAs, capacity building for IAs (that require this support), overall safeguards compliance of the program, and complaints handling. MPI will procure and manage the Facility Support Consultants who will report to the PCU in all of its responsibilities. The PCU will be responsible for screening and clearing Sub-project Proposals from IAs based on agreed eligibility criteria.

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

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

**Sub-project Processing**

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

9. Once the sub-project has been endorsed for funding by the facility, the Bank’s sub-project task team will ensure that the preparation studies include the identified safeguard instruments to comply fully with all the Bank’s safeguard policy requirements. The Bank’s sub-project task team will also ensure that the resulting safeguard studies respond to the terms of reference (TOR) in all respects, are of good quality, and comply with all Bank policies and requirements.

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

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

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

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

R=Responsible  S=Supporting Role

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

   a. An IA for a proposed investment project will submit an application for support from the facility.

   b. If the proposed sub-project meets the project’s eligibility criteria, the IA, with support from Ministry of Planning and Investment’s (MPI’s) Project Coordination Unit (PCU), will complete the subproject pre-appraisal checklist, as part of the Application Package. This checklist will include relevant questions on the extent, type(s) and scope of the potential environmental and social impacts; the sub-project will be screened for all possibly applicable safeguard policies (see screening checklist in Attachment 1 – Part 1).

   c. The screening information will allow the Bank’s sub-project task team, in consultation as needed with the Regional Safeguard Secretariat (RSS), to (i) confirm the preliminary EA Category, and (ii) determine the safeguards requirements, including the type(s) and scope of safeguard instruments needed to address the likely impacts.

   d. The pre-appraisal checklist will also gather information on the IA’s capacity for carrying out safeguard-related work and studies (see capacity assessment form in Attachment 1 – Part 2). If gaps are identified through the capacity screening, the facility support consultant’s team will provide the necessary support through the safeguard specialist consultant. If longer-term and more comprehensive capacity building is needed for the IA concerned, it will be provided as part of the ensuing investment sub-project.

   e. To assist IAs with initiating the necessary safeguard instruments, the PCU will be assisted by the international safeguard specialist who will be a member of the project’s facility support consultant’s team (see Attachment 2 for the outline TOR for the safeguard specialist).

   f. At this time, under the project cycle of the follow-on project, a Concept Stage Safeguards Review Meeting will be held. In some cases, this will be held prior to the Concept Stage Decision Meeting.

   g. Subsequently, the IA, if needed, with support from the PCU and the safeguard specialist of the facility support consultants, will prepare draft TOR for the required safeguard instrument(s).

13. The Bank’s sub-project task team will review the TOR and provide comments. The PCU and the facility support consultants will assist the IA with the selection of qualified and experienced consultants for the preparation of the various safeguard instruments. The Bank’s subproject project task team will review and clear procurement actions. Special attention will be paid to the Bank requirement that for Category A projects, the borrower retains independent EA experts not affiliated with the project to carry out the EA.
14. Technical supervision of the studies will be by the respective IAs guided if needed by the facility support consultant’s safeguard specialist. The Bank’s subproject task team will provide review and comments.

15. Public consultation requirements is mandated by the Bank’s operational policies on Environmental Assessment, Involuntary Resettlement and Indigenous Peoples. It will be conducted as a two-way process in which stakeholders and project-affected people provide advice and input on the design of a proposed sub-project and how it affects their livelihood and environment. Public consultation will be conducted so that it will promote meaningful dialogue between government, communities, NGOs, and implementing agencies to discuss all aspects of a proposed project. At least two consultation events will be held for Category A sub-projects, i.e. at the TOR/scoping stage and at the draft final report stage, and at least one consultation for Category B projects.

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

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

Local Capacity for Safeguard Management

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

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

Relevant Vietnamese Laws and Regulations

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

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

22. Regarding indigenous peoples and ethnic minorities, there are no gaps between the Government and the Bank policies except for the Bank’s requirement of preparing an Indigenous Development Plan for the projects/programs affecting ethnic minority communities.

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

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

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

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

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

List of Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>EA</td>
<td>Environmental Assessment</td>
</tr>
<tr>
<td>EIA</td>
<td>Environmental Impact Assessment</td>
</tr>
<tr>
<td>EMP</td>
<td>Environmental Management Plan</td>
</tr>
<tr>
<td>IA</td>
<td>Implementing Agency</td>
</tr>
<tr>
<td>MONRE</td>
<td>Ministry of Natural Resources and Environment</td>
</tr>
<tr>
<td>MPI</td>
<td>Ministry of Public Investments</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-government organization</td>
</tr>
<tr>
<td>ODA</td>
<td>Overseas Development Assistance</td>
</tr>
<tr>
<td>OP</td>
<td>Operational Policy</td>
</tr>
<tr>
<td>PCU</td>
<td>Project Coordination Unit</td>
</tr>
<tr>
<td>POM</td>
<td>Project Operational Manual</td>
</tr>
<tr>
<td>PPTAFP</td>
<td>Project Preparation Technical Assistance Facility Project</td>
</tr>
<tr>
<td>RAP</td>
<td>Resettlement Action Plan</td>
</tr>
<tr>
<td>RSS</td>
<td>Regional Safeguard Secretariat</td>
</tr>
<tr>
<td>SP – TT</td>
<td>Sub-project Task Team</td>
</tr>
<tr>
<td>TA – TT</td>
<td>Technical Assistance Task Team</td>
</tr>
<tr>
<td>TOR</td>
<td>Terms of Reference</td>
</tr>
</tbody>
</table>
CHAPTER 7: GOVERNANCE, TRANSPARENCY, AND ANTI-CORRUPTION

This chapter details the Governance, Transparency, and Anti-Corruption guidelines and requirements of the PPTAF Project. If and when the Implementing Agency proceeds to the investment-project stage of the sub-project implementation, the IA must also fulfill the WB Transparency, and Anti-Corruption requirements specific to each sub-project.

A. Background

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

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

B. Overview of PPTAF Governance Measures

3. The PPTAF Project Operations Manual (POM) will include a Strategic Governance and Accountability Risk Matrix to identify potential risks of corruption and appropriate mitigation measures developed in consultation with and agreed by the Executing Agency and the Bank. The POM and Strategic Governance and Accountability Risk Matrix will be subject to review during the implementation of the project and may be refined with mutual agreement between the Bank and the Implementing Agency.

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

   (a) Disclosure Provisions and Transparency

---

2 Decree No. 120/2006/ND-CP that addresses transparency and disclosure, protection and reward of whistle-blowers, and request of information by citizens; Decree No. 37/2007/ND-CP that requires transparency in asset and income declaration for government, party and parliament officials; Decree No. 115/2008/ND-CP that guides the publication of auditing results; and Decrees 47/2007/ND-CP and 107/2006/ND-CP that respectively define the roles and responsibilities of civil society and heads of government agencies in combating corruption. Ordinance No. 34/2007/PLUBTVQH11 requires wide publicity and community consultation on socioeconomic development plans, and mechanisms for people to voice their opinion and receive feedback.
(b) Civil Society Oversight
(c) Complaints Handling Mechanism
(d) Sanctions and Remedies
(e) Mitigating Collusion, Fraud and Nepotism

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

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

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

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

Table 1. Strategic Governance and Accountability Risk Matrix

<table>
<thead>
<tr>
<th>Theme/Topic</th>
<th>Intervention/Measure</th>
<th>Responsibility</th>
<th>Target Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosure Provisions and Transparency</td>
<td>Establish Project information media and outlets including: (a) Project website, linked to MPI website, and to IA website; (b) select print media with relevant distribution covering all stakeholders; and (c) relevant national media. Establish a process for routine updates of salient information on the site.</td>
<td>MPI-PMU</td>
<td>Within 1 month of Project Effectiveness.</td>
</tr>
<tr>
<td></td>
<td>Obtain and publish: (a) Participant Integrity Disclosures (information on State disclosure by Project officials); and (b) reference and contact information of each contractual participant in the Project.</td>
<td>MPI-PMU</td>
<td>Within 2 months of Project effectiveness, and henceforth for IAs as subprojects are approved for financing</td>
</tr>
<tr>
<td></td>
<td>Publication in MPI and IA websites/procurement bulletin and newspapers of all decisions relating to investment selection, scope, cost, beneficiaries, alternatives, resettlement policies, environmental protection and any sanctions that may be applied</td>
<td>MPI-PMU/IAS</td>
<td>Throughout Project Life</td>
</tr>
<tr>
<td>Theme/Topic</td>
<td>Intervention/Measure</td>
<td>Responsibility</td>
<td>Target Date</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>----------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>Civil Society Oversight</td>
<td>Subproject beneficiary representatives encouraged to participate in supervision activities and attend bid openings. Subproject to provide support to local communities and civil society in overseeing project works following Decree 120/2006/ND-CP and Ordinance No. 34/2007/PL-UBTVQH1.</td>
<td>MPI-PMU/IAs</td>
<td>Throughout Project life.</td>
</tr>
<tr>
<td>Complaints Handling Mechanism</td>
<td>Establish effective mechanisms and protocols for confidential reporting of complaints, management of records, fair processing, monitoring, and confidentiality.</td>
<td>MPI/MPI-PMU/IAs</td>
<td>By Loan Effectiveness.</td>
</tr>
<tr>
<td>Sanctions and Remedies</td>
<td>Project transparency and ethics statement for Project officials. Governance statement, including a description of sanctions for collusion, fraud, corruption, coercion and obstruction, will be included in all tender documents and Project contracts.</td>
<td>[MPI]</td>
<td>As part of GTAP, by Disbursement of Funds</td>
</tr>
<tr>
<td></td>
<td>The PIP to include Project-wide procedures for identifying, reporting and tackling collusion, corruption and fraud. Responsibilities at each unit/level are to be clearly defined and are to reflect the required oversight necessary for mitigating the risk of collusion, corruption and fraud.</td>
<td>MPI-PMU</td>
<td>As part of GTAP, by Disbursement of funds and ongoing thereafter.</td>
</tr>
<tr>
<td>Mitigating Collusion, Fraud and Nepotism</td>
<td>Obtain validated Project transparency and ethics statements from key Project officials after completion of Project GTAP training. MPI/IAs have computerized accounting system permitting single entry of Project transaction information with maintenance of only one set of financial statements. Clear definition of, and adherence to, quality standards set out in contracts. MPI/IAs engage staff with appropriate expertise and enforcement powers. Independent technical audit is sought where necessary, from the facility support consultants in the first instance and from an external agent if necessary.</td>
<td>MPI-PMU</td>
<td>By Disbursement of Funds</td>
</tr>
<tr>
<td></td>
<td>As needed/Periodically, throughout Project life</td>
<td>MPI-PMU/IAs</td>
<td>As needed/Periodically, throughout Project life</td>
</tr>
<tr>
<td>Other</td>
<td>Compile MPI GTAP Manual and training materials, including: (a) definitions of corrupt practices and negligence/waste; (b) applicable MPI and World Bank anti-corruption policies &amp; regulations; and (c) training demonstration case material.</td>
<td>MPI-PMU</td>
<td>Within 3 months of signing Financing Agreement (FA).</td>
</tr>
</tbody>
</table>
CHAPTER 8: MONITORING AND EVALUATION

This chapter details the Monitoring and Evaluation guidelines and requirements of the PPTAF Project. If and when the Implementing Agency proceeds to the investment-project stage of the sub-project implementation, the IA must also fulfill the WB Monitoring and Evaluation requirements specific to each sub-project.

8.1 Monitoring and Evaluation Responsibilities

MPI/PCU will have primary responsibility for monitoring and evaluating the project and sub-projects, including the collection of data, financial reports, as well as other relevant information. MPI/PCU will provide the Bank with a report at the end of each quarter detailing the status of the project, as well as of each sub-project whose preparation the project is supporting.

PMUs will prepare and support its documentation, data, and other relevant information in an expedient and accurate manner in order to facilitate the PCU’s reporting activities.

World Bank project team will work with the MPI and World Bank’s sub-project team to monitor project outputs. The World Bank teams and relevant WB specialists will also follow WB procedures of supervision and review of the project and sub-projects.

The monitoring and evaluation framework and activities will follow Decision 802, for Aligned Monitoring Reporting for ODA Projects.

8.2 Monitoring and Evaluation Framework

The monitoring framework involves three types of monitoring: performance monitoring, compliance monitoring, and impact monitoring. Performance monitoring will be used to improve project management and identify any problems in implementation. Compliance monitoring will be used to ensure that project implementation follows prescribed policies and procedures. Impact monitoring (as well as performance monitoring) will provide lessons-learned that will also feed into related technical assistance activities to strengthen the broader management sub-project preparation in Vietnam.

8.2.1 Performance Monitoring

Performance monitoring determines the progress of project implementation. Performance monitoring will have two aspects: monitoring of activities and monitoring of processes, in terms of identification and prioritization of needs. It will be undertaken via:

- Quarterly and annual progress reports from PMUs. This information will be consolidated by the PCU, and reported to the World Bank as part of its financial management reports.
- Annual review of process for identifying and selecting sub-projects.


8.2.2 Compliance Monitoring

Compliance monitoring is critically important to the project. The Project M&E system will have to assess whether the project is following the prescribed guidelines in terms of compliance with:

- Agreed criteria relating to eligible sub-projects
- Agreed financial management arrangements
- Agreed procurement arrangements
- Environmental and social safeguard provisions

8.2.3 Impact Monitoring

Impact monitoring measures the extent to which the project’s development objective is achieved. The monitoring will also be undertaken via Final evaluation, and Lessons Learned workshop, at the end of the Project.

8.3 Indicators

The indicators to be used in measuring the achievement of PPTAF Project objectives and outputs are detailed below.

The PCU will collect the necessary data/information and submit status reports to the World Bank on a quarterly basis.

Each PMU will prepare and support its documentation, data, and other relevant information, in an expedient and accurate manner in order to facilitate the PCU’s reporting activities.

Performance monitoring

- Number of sub-projects undergoing preparation under PPTAF each year.
- Timelines showing the sub-project preparation stages/times and activities for each sub-project.

Compliance monitoring

- Confirmation that PPTAF funding was disbursed against qualifying sub-project preparation activities.
- Confirmation that sub-projects funded under PPTAF conform with agreed eligibility criteria.
- Confirmation that agreed financial management arrangements have been followed.
- Confirmation that agreed procurement arrangements have been followed.
- Confirmation of compliance with environmental and social safeguards provisions.
Impact monitoring

- Evidence of improved sub-project quality at entry—through increase in detail and range of documentation ready by appraisal of investment loan.
- Evidence of more substantial completion of start-up activities prior to investment loan approval.
- Reduced preparation period for sub-projects compared with situation before Facility was created.
- Increase in number of sub-projects that have contracts ready to tender at time of approval.
- Time to achieve target level of disbursement is reduced compared with situation before Facility was created; and compared with sub-projects prepared without accessing the Facility.
ANNEX 1 : PROJECT ACCOUNTING SYSTEM

a. Accounting arrangements: Centralized.

b. Accounting vouchers:

<table>
<thead>
<tr>
<th>No.</th>
<th>Names of vouchers</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Labor and salaries</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Time Sheets</td>
<td>C01a - HD</td>
</tr>
<tr>
<td>2</td>
<td>Payroll/ allowance Slip</td>
<td>C02 - HD</td>
</tr>
<tr>
<td>3</td>
<td>Lump – sum work contract (for reference)</td>
<td>C08 - HD</td>
</tr>
<tr>
<td>4</td>
<td>Travel Document</td>
<td>C06 - HD</td>
</tr>
<tr>
<td>II</td>
<td>Materials, equipment</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Survey report for material, machinery, equipment</td>
<td>C25 - HD</td>
</tr>
<tr>
<td>III</td>
<td>Currency</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Receipt voucher</td>
<td>C30-HD</td>
</tr>
<tr>
<td>8</td>
<td>Payment voucher</td>
<td>C31-HD</td>
</tr>
<tr>
<td>9</td>
<td>Request for Advance</td>
<td>C32-HD</td>
</tr>
<tr>
<td>10</td>
<td>Settlement of amounts advanced</td>
<td>C33-HD</td>
</tr>
<tr>
<td>11</td>
<td>Fund inventory Sheet</td>
<td>C34-HD</td>
</tr>
<tr>
<td>12</td>
<td>Fund inventory Sheet</td>
<td>C35-HD</td>
</tr>
<tr>
<td>IV</td>
<td>Fixed Assets</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Fixed asset delivering and receiving Minute</td>
<td>C50-HD</td>
</tr>
<tr>
<td>14</td>
<td>Fixed asset liquidation Minute</td>
<td>C51-HD</td>
</tr>
<tr>
<td>15</td>
<td>Fixed asset revaluation Minute</td>
<td>C52-HD</td>
</tr>
<tr>
<td>16</td>
<td>Fixed asset inventory Minute</td>
<td>C53-HD</td>
</tr>
<tr>
<td>V</td>
<td>Accounting vouchers stipulated in other Regulations</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Invoice (VAT)</td>
<td>01/GTKT-3LL</td>
</tr>
<tr>
<td>18</td>
<td>Sale Invoice</td>
<td>02/GTTT-3LL</td>
</tr>
<tr>
<td>19</td>
<td>Sale Invoice</td>
<td>02/GTTT-2LN</td>
</tr>
<tr>
<td>20</td>
<td>Withdrawal of Investment Capital</td>
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</tr>
<tr>
<td>21</td>
<td>Claim for Advance/Payment of Investment Capital</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Claim for Advance Clearance of Investment Capital</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Minute of Checking and Handing over of completed service</td>
<td></td>
</tr>
</tbody>
</table>
c. **Accounting system:** following accounts shall be applied in accountancy of Project:

<table>
<thead>
<tr>
<th>Account No.</th>
<th>Accounts</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>Level 2</td>
<td>Level 1</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>111</td>
<td>Cash</td>
<td>111</td>
</tr>
<tr>
<td>112</td>
<td>Cash at Bank, Treasury</td>
<td>112</td>
</tr>
<tr>
<td>131</td>
<td>Receivables from customers</td>
<td>131</td>
</tr>
<tr>
<td>133</td>
<td>VAT deducted</td>
<td>133</td>
</tr>
<tr>
<td>136</td>
<td>Receivables internally</td>
<td>136</td>
</tr>
<tr>
<td>138</td>
<td>Other Receivables</td>
<td>138</td>
</tr>
<tr>
<td>1381</td>
<td>Shortage of assets awaiting resolution</td>
<td></td>
</tr>
<tr>
<td>1388</td>
<td>Other Receivables</td>
<td></td>
</tr>
<tr>
<td>141</td>
<td>Advances</td>
<td>141</td>
</tr>
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<td>211</td>
<td>Tangible fixed assets</td>
<td>211</td>
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<td>214</td>
<td>Depreciation of fixed assets</td>
<td>214</td>
</tr>
<tr>
<td>241</td>
<td>Construction costs</td>
<td>241</td>
</tr>
<tr>
<td>331</td>
<td>Payables to suppliers</td>
<td>331</td>
</tr>
<tr>
<td>333</td>
<td>Taxes and other liabilities payable to</td>
<td>333</td>
</tr>
<tr>
<td></td>
<td>State Budget</td>
<td></td>
</tr>
<tr>
<td>3331</td>
<td>VAT Liabilities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>33311 - Output VAT</td>
<td></td>
</tr>
<tr>
<td></td>
<td>33312 - VAT of imported commodities</td>
<td></td>
</tr>
<tr>
<td>3332</td>
<td>Special consumption Tax</td>
<td></td>
</tr>
<tr>
<td>3333</td>
<td>Import Duties</td>
<td></td>
</tr>
<tr>
<td>3338</td>
<td>Other taxes</td>
<td></td>
</tr>
<tr>
<td>3339</td>
<td>Fees, charges and other obligations</td>
<td></td>
</tr>
<tr>
<td>334</td>
<td>Payables to employees</td>
<td>334</td>
</tr>
<tr>
<td>336</td>
<td>Payables internally</td>
<td>336</td>
</tr>
<tr>
<td>338</td>
<td>Other Payables and obligations</td>
<td>338</td>
</tr>
<tr>
<td>3381</td>
<td>Surplus assets awaiting resolution</td>
<td></td>
</tr>
<tr>
<td>3382</td>
<td>Trade Union fee</td>
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</tr>
<tr>
<td>3383</td>
<td>Social Insurance</td>
<td></td>
</tr>
<tr>
<td>3384</td>
<td>Health Insurance</td>
<td></td>
</tr>
<tr>
<td>3388</td>
<td>Other payables, obligations</td>
<td></td>
</tr>
<tr>
<td>Account No.</td>
<td>Accounts</td>
<td>Note</td>
</tr>
<tr>
<td>------------</td>
<td>----------------------------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Level 1</td>
<td>Level 2</td>
<td>Level 1</td>
</tr>
<tr>
<td>412</td>
<td>Difference due to revaluation assets</td>
<td>412</td>
</tr>
<tr>
<td>421</td>
<td>Unsettled difference between receipts and issuance</td>
<td>421</td>
</tr>
<tr>
<td>462</td>
<td>Fund sources of project</td>
<td>441</td>
</tr>
<tr>
<td>4621</td>
<td>WB Fund</td>
<td></td>
</tr>
<tr>
<td>4622</td>
<td>Counterpart Fund</td>
<td></td>
</tr>
<tr>
<td>4628</td>
<td>Other funds</td>
<td></td>
</tr>
<tr>
<td>466</td>
<td>Fund forming fixed assets</td>
<td>466</td>
</tr>
<tr>
<td>642</td>
<td>Project Management Unit Expenses</td>
<td>642</td>
</tr>
<tr>
<td>721</td>
<td>Other operating receipts</td>
<td>721</td>
</tr>
<tr>
<td>821</td>
<td>Other operating costs</td>
<td>821</td>
</tr>
<tr>
<td>001</td>
<td>Leased assets</td>
<td>001</td>
</tr>
<tr>
<td>002</td>
<td>Assets in custody</td>
<td>002</td>
</tr>
</tbody>
</table>

**d. Accounting method:** Single entry

**e. Bookkeeping process:**

![Diagram of bookkeeping process]

- Vouchers
- General Journal
- Detailed accounting books
- Financial Reports
- Detailed Sheets
Structures of applied books:

<table>
<thead>
<tr>
<th>NO.</th>
<th>NAMES OF BOOKS</th>
<th>FORM NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cash fund Book</td>
<td>S11-H</td>
</tr>
<tr>
<td>2</td>
<td>Cash at Commercial Bank, State Treasury</td>
<td>S12-H, S13-H</td>
</tr>
<tr>
<td>3</td>
<td>Fixed Assets Register per Location</td>
<td>S31-H, S32H</td>
</tr>
<tr>
<td>4</td>
<td>Expenditure Book</td>
<td>S62-H</td>
</tr>
<tr>
<td>5</td>
<td>Other Expense Book</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Detailed Payment Book</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>VAT deducted and refunded Book</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Detailed Account Book</td>
<td></td>
</tr>
</tbody>
</table>
## ANNEX 2 : SUMMARY OF PROJECT ACCOUNTING ENTRIES

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>ACCOUNTING ENTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accounting for consultancy services</strong></td>
<td>Dr. 331 / Cr. 112</td>
</tr>
<tr>
<td>There are following cases:</td>
<td></td>
</tr>
<tr>
<td>• If advances payments before implementing works, an accounting entry is made:</td>
<td></td>
</tr>
<tr>
<td>• Payment made to the consultants in accordance with the implemented volume, an accounting entry is made:</td>
<td>Dr. 241 / Cr. 331</td>
</tr>
<tr>
<td><strong>Accounting for PCU/PMU expenses</strong></td>
<td>Dr. 662 / Cr. 334</td>
</tr>
<tr>
<td>PCU/PMU expenses consist of salaries, social insurance, business traveling fees, utilities, telephone fee, and stationery, equipment procurement …</td>
<td></td>
</tr>
<tr>
<td><strong>Salaries:</strong></td>
<td></td>
</tr>
<tr>
<td>Salaries to PCU/PMU staff taken to account</td>
<td></td>
</tr>
<tr>
<td>Salaries paid</td>
<td></td>
</tr>
<tr>
<td><strong>Social insurance, health insurance and Labor Union fees:</strong></td>
<td>Dr. 338 – Other payables</td>
</tr>
<tr>
<td>Dr. 642 - (A/C 6422)</td>
<td></td>
</tr>
<tr>
<td>Dr. 334, Payable to employees (the amount deducted to salaries)</td>
<td></td>
</tr>
<tr>
<td>Cr. 338 – Other payable2</td>
<td></td>
</tr>
<tr>
<td>Upon the payment of social insurance, health insurance</td>
<td>Dr. 111, 112</td>
</tr>
<tr>
<td><strong>Other PCU/PMU expenses</strong></td>
<td>Dr. 662 - PMU expenses</td>
</tr>
<tr>
<td>Upon the payment of Business traveling expenditures, utilities, telephone expenditures, stationery tools, equipment</td>
<td>Cr. 111, 112 ...</td>
</tr>
<tr>
<td><strong>Accounting revenues and expenses from bidding activities</strong></td>
<td>Dr. 111, 112, 4268</td>
</tr>
<tr>
<td>In this case projects having bidding on construction, or bidding on equipment procurement:</td>
<td></td>
</tr>
<tr>
<td>• Receipt of registration fees and acquiring bidding files for bidding participant, an accounting entry is made</td>
<td></td>
</tr>
<tr>
<td>• End of accounting period</td>
<td></td>
</tr>
<tr>
<td>Expenditures for bidding operations, files reviewing which are related to bidding operations, an accounting entry is made</td>
<td></td>
</tr>
<tr>
<td><strong>Accounting for completion of investment projects</strong></td>
<td>Dr. 462</td>
</tr>
<tr>
<td>• Based on the approved finalization by the authorities in charge, which is in accordance with the contents of the credit and grant agreements, or upon the project finalization (for completed construction or construction items) based on project estimates which were approved by the authorities in charge:</td>
<td>Cr. 211/2411/662</td>
</tr>
</tbody>
</table>
## ACCOUNTING FOR RECEIPT OF FUNDS FOR AN INVESTMENT PROJECT

<table>
<thead>
<tr>
<th>Description</th>
<th>Accounting Entries</th>
</tr>
</thead>
<tbody>
<tr>
<td>After having completion with procedures on withdrawal loans, an approval on</td>
<td>Dr. 111,1, 211,311,662, Cr. 462</td>
</tr>
<tr>
<td>borrowings for payment to the bidder against completed capital construction</td>
<td></td>
</tr>
<tr>
<td>volumes or completed installation works (partly or wholly), or for payment</td>
<td></td>
</tr>
<tr>
<td>to the service, equipment or material providers; payment against agreement;</td>
<td></td>
</tr>
<tr>
<td>PCU/PMU expenditures</td>
<td></td>
</tr>
<tr>
<td>On the receipt of State budget subsidies (local counterpart funds) for</td>
<td>Dr. 331/112- a/c payable trade Cr. 462</td>
</tr>
<tr>
<td>payment to the bidder against the completed capital construction or</td>
<td></td>
</tr>
<tr>
<td>installation works or for payment to sellers, the equipment, materials</td>
<td></td>
</tr>
<tr>
<td>supplier, payment to construction designer, the project estimates maker and</td>
<td></td>
</tr>
<tr>
<td>other expenditures, an accounting entry is made:</td>
<td></td>
</tr>
<tr>
<td>Dr. 1111 Cr. 462</td>
<td></td>
</tr>
<tr>
<td>On the withdrawal of cash from local counterpart fund for payment against</td>
<td>Dr. 111,211,331,642 Cr. 1121 – Cash in Bank</td>
</tr>
<tr>
<td>project expenditures which were specified in the Loan Agreement, or payment</td>
<td></td>
</tr>
<tr>
<td>to PCU/PMU expenditures in accordance with the approved estimate, or for</td>
<td></td>
</tr>
<tr>
<td>compensation to parties related to site clearance process, an accounting</td>
<td></td>
</tr>
<tr>
<td>entry is made:</td>
<td></td>
</tr>
<tr>
<td>When cash is withdrawal to funds, or PC/PMU expenditures are made from</td>
<td></td>
</tr>
<tr>
<td>deposits at State Treasury, which are in accordance with approved expenses</td>
<td></td>
</tr>
<tr>
<td>estimates.</td>
<td></td>
</tr>
</tbody>
</table>
ANNEX 3 : PROJECT REPORTING SYSTEM

1. Project Sources & Uses of Funds. (Form IFR1)
2. Designated Account (DA) Statement (Form IRF3)
3. ODA disbursement progress report (Form No. 4, issued together with Decision 803)
4. Counterpart funding disbursement progress report (Form 6)
5. Reports on procurement activities (Form 7-Form 12)
### Project Sources & Uses of Funds for the Q.

<table>
<thead>
<tr>
<th>Actual</th>
<th>Planned</th>
<th>Variance in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Quarter</td>
<td>Year - To Date</td>
<td>Cumulative - To Date/year</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

**Opening balance**
- IDA account
- Counterpart account
- Other bank account(s)
- Cash

**Total**

**Sources Of Funds**
1. GOV
2. HEI's contribution
3. IDA Credit
4. Other

**Total Sources of Funds**

**Foreign exchange difference**

**Less:**

**Uses of Funds**

**Total Uses of Funds**

**Closing balance**
- IDA account
- Counterpart account
- Other bank account(s)
- Cash

**Total**

Set up by
- Chief Accountant
- Director
NOTE :

1. Sources of Fund:
   Actual: Total realisation from all sources of funds
   Planned: Total Budget for the reporting period: current quarter, year to date, cumulative to date

2. Uses of Fund
   Actual: Expenditures realization per disbursement category
   Planned: Total Budget for the reporting period: current quarter, year to date, cumulative to date per disbursement category

3. Current Quarter: expenditures/budget for the quarter
4. Year to Date: cumulative expenditures/ budget for the year
5. Cumulative to Date: cumulative expenditures/budget from the beginning (project effective) until the report period
6. Variance: difference between budget and realization
# Uses of Funds by Activities for the Quarter

**In USD**

<table>
<thead>
<tr>
<th>Project Activities (Eligible Expenditure Categories)</th>
<th>Accumulated actual disbursement at 31/12/last year</th>
<th>Disbursement in year</th>
<th>Accumulated during the year</th>
<th>Accumulated from the start of the project</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quarter I</td>
<td>Quarter II</td>
<td>Quarter III</td>
<td>Quarter IV</td>
</tr>
<tr>
<td></td>
<td>IDA</td>
<td>Counterpart</td>
<td>IDA</td>
<td>Counterpart</td>
</tr>
</tbody>
</table>

**TOTAL**

**Set up by**

Chief Accountant

Director TMU
### IDA Account Statement at end of q./year

<table>
<thead>
<tr>
<th>Amount</th>
<th>USD</th>
</tr>
</thead>
</table>

#### PART A- Account transaction

**Opening Balance**

<table>
<thead>
<tr>
<th>Add</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>ii</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deduct</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>iv</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Closing Balance</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>viii</td>
<td>-</td>
</tr>
</tbody>
</table>

#### PART B- Account reconciliation

<table>
<thead>
<tr>
<th>Amount advanced by PCU/PMU</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>ix</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Less</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>x</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total amount deposited by PCU/PMU for the period**

<table>
<thead>
<tr>
<th>Amount refunded to cover ineligible disbursements</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>iii</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amount withdrawn for the period</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>v</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bank charges</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>vi</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amount refunded to PCU/PMU</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>vii</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outstanding amount advanced to IDA Account at the period end</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>xi</td>
<td>-</td>
</tr>
</tbody>
</table>

**Ending balance of IDA Account at the period end**

<table>
<thead>
<tr>
<th>Add</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>xiii</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amount withdrawn but not yet claimed</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>xiv</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ineligible expenditure to be refunded</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>xv</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Less</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>xvi</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total advances to IDA Account as at period end</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>xvii</td>
<td>-</td>
</tr>
</tbody>
</table>

---

*Set up by: Chief Accountant  Director TMU*
# FINAL ACCOUNTING REPORT FOR PROJECT COMPLETION

**Project name:**

**Names of project work/component:**

**Project owner:**

**Project investment decision maker:**

**Project location:**

**Project size:**
- Approved: ...... ........
- Actual:.................

Approved investment amount:..................

**Time to start - completion:**
- Approved: ...... ........
- Implemented:..................

## I. Funding sources:

<table>
<thead>
<tr>
<th></th>
<th>Approved (1)</th>
<th>Implemented (2)</th>
<th>Difference(2-1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>VND</td>
<td>Original currency</td>
<td>VND</td>
</tr>
<tr>
<td>Total funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ODA fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Of which:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Details)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Counterpart funds:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Of which:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Details)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
II. Summary of investments requested for final accounting:

*Unit: VND*

<table>
<thead>
<tr>
<th>No.</th>
<th>Expenditures</th>
<th>Approved total investment</th>
<th>Approved financing plan</th>
<th>Investment amount requested to final accounting</th>
<th>Difference with Approved financing plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Constructions work</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Equipments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Provisions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

III. Expenditures requested not to put in invested project assets value:

(Details)

IV. Value of project assets from investment:

<table>
<thead>
<tr>
<th>No.</th>
<th>Group</th>
<th>Value of assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Actual (Original currency)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Fixed asset</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Details)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Current assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Details)</td>
<td></td>
</tr>
</tbody>
</table>

V. Explanations of final accounting report:

1- Project implementation situation:

- Changed in project implementation from approved investment project: Size, design of the project work, project management model, investment owner, and source of funding, approved investment amount.
- Changes in technical specification, approved project amount.

2- Comments on the project implementation:

- The compliance with current legislations and regulations.
- Management of funds, assets in project implementation period.
3- Recommendation:

Location and date

Prepared by
(Full names, signature)

Chief accountant
(Full names, signature)

Project owner
(Full names, signature and stamp)
ANNEX 4: LIST OF DECREES, DECISIONS AND CIRCULARS RELATING TO
THE FINANCIAL MANAGEMENT OF ODA PROJECTS

- Circular No. 78/2004/TT-BTC dated August 10, 2004 of the Ministry of Finance
guiding the management of withdrawal of ODA capital
- Decision No. 214/2000/QD-BTC dated December 28, 2000 of the Ministry of Finance
promulgating the accounting regime applicable to investing units
- Decision No. 19/2006/QD-BTC dated March 30, 2006 of the Ministry of Finance
promulgating the accounting regime applicable PMUs
work construction investment expenditures
- Decision No. 61/2006/QD-BTC dated November 02, 2006 of the Ministry of Finance
promulgating a number of spending norms applicable to ODA-funded programs and
projects
the management and payment of investment capital and non-business capital for
investment sourced from state budget
- Circular No.130/2007/TT-BTC dated November 2, 2007 of the Ministry of Finance
amending and supplementing a number of provisions of Circular No. 27/2007/TT-BTC
guiding the financial management mechanism applicable to ODA-funded programs and
projects
- Decision No. 803/2007/QD-BKH dated July 30, 2007 of the Ministry of Planning and
Investment on the reporting regime applied for ODA-funded programs and projects
guiding the implementation of tax policy and tax incentives for ODA-funded programs
and projects
- Circular No. 117/2008/TT-BTC dated December 5, 2008 of the Ministry of Finance
providing guidelines on the management and use of costs for state budget investment
projects

Legal basis for settlement of capital:

- Circular No. 33/2007/TT-BTC dated April 09, 2007 of the Ministry of Finance guiding
the settlement of completed projects funded with state budget capital
- Circular No. 98/2007/TT-BTC dated August 9, 2007 of the Ministry of Finance
amending and supplementing a number of provisions of Circular No. 33/2007/TT-BTC
dated April 09, 2007
### ANNEX 5: SAMPLE SUB-PROJECT INVESTMENT-STAGE SAFEGUARDS GUIDELINES

#### OVERVIEW OF SAFEGUARDS MANAGEMENT PROCESS

<table>
<thead>
<tr>
<th>Step</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Screening</strong></td>
<td>Determining whether a project is subject to WB exclusion, the potential to cause environmental and social impacts, the potential triggers for WB safeguards Ops (Operations Policies), and the project category. Screening also identifies whether full RP and abbreviated RP will be required to be developed.</td>
</tr>
<tr>
<td><strong>Public Consultation</strong></td>
<td>Activities aimed at ensuring that the views of affected people, their knowledge about the local environment/society, and their acceptance of impacts is taken into account in the assessment study and in decision making about the project. For Category A subprojects, public consultation is carried out twice: after screening and before scoping; then once a draft EA report is prepared. For social aspects, meaningful consultations with project-affected people and related stakeholders should be conducted during project preparation, implementation, and monitoring.</td>
</tr>
<tr>
<td><strong>Scoping</strong></td>
<td>Deciding the scope of potential impacts and issues that need to be examined in more detail—based on this, TORs for EA will be prepared</td>
</tr>
</tbody>
</table>
| **Social Safeguards and Environmental Assessment** | Study aimed at:  
  - Identifying potential impacts  
  - Determining their magnitude / extent / likelihood, etc  
  - Determining how significant, or acceptable, these impacts are (by comparing against standards or acceptability criteria)  
  - Recommending ways of preventing, minimizing, reducing, compensating, managing, and monitoring unacceptable impacts. The study is based on a description of the project, social and environmental characteristics, assets and resources likely to be affected and compensation, assistance policies to ensure affected people can fully restore the lost assets and livelihood. |
| **Environmental Management Plan** | Tool usually prepared as part of the impact assessment study to document how mitigation, management, and monitoring measures will be implemented and assured. For sub-projects with EA reports and EMPs already approved by the respective authorities, a due diligence assessment of EMP will be carried out and a Risk Management Plan (RMP) will be developed if deemed necessary |
| **Information Disclosure** | Provision of information to affected parties and the general public to facilitate meaningful consultation and collection of views and comments on a project before decisions are taken. All safeguard documents must be disclosed locally in a timely manner, in an accessible place, and in a form and language understandable to key stakeholders, as well as in VDIC in Hanoi. |
| **Monitoring**            | Real-time review of environmental changes and RP implementation during project implementation to ensure impacts are avoided, minimized, or mitigated as planned.                                                                 |
| **Reporting**             | Providing information about implementation of mitigation measures, including RP and project’s overall environmental performance to stakeholders.                                                                 |
## SAMPLE SOCIAL SAFEGUARDS SUMMARIZED STEPS AND ACTIVITIES

<table>
<thead>
<tr>
<th>Phase</th>
<th>Step</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Identification</td>
<td>Screening</td>
<td>Provide initial project information and results of project screening for potential resettlement impacts. Determine whether full or abbreviated RP should be developed.</td>
</tr>
<tr>
<td>Detailed Design</td>
<td>Social Impact Assessment and RP</td>
<td>Prepare and submit the RP for review by relevant authorities and WB.</td>
</tr>
<tr>
<td>Implementation and Monitoring</td>
<td>Implementation and Monitoring</td>
<td>Implement the approved RP</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Conduct internal monitoring of the RP</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provide quarterly and annual reports as required</td>
</tr>
<tr>
<td>Implementation</td>
<td>Reporting on the implementation of social safeguard plans</td>
<td>Reporting on the schedule, progress, and results of implementation of compensation, assistance, and resettlement activities of the project and about the Affected Persons’ satisfaction degree</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Submit regular reports to MoF for preliminary approval and subsequently to World Bank on the compliance of social safeguard policies by projects receiving credit from the World Bank.</td>
</tr>
</tbody>
</table>
### SAMPLE ENVIRONMENTAL SAFEGUARDS SUMMARIZED STEPS AND ACTIVITIES

<table>
<thead>
<tr>
<th>Phase</th>
<th>Step</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Identification</td>
<td>Screening</td>
<td>Prepare basic project information. Provide project information and screening results to MOF/MPI and WB to confirm categorization. Provide assessment of institutional capacity for Category I or A projects Prepare EIA for Category I or A projects. For Category B or C projects, prepare EMP (or Category II of Meeting Environmental Safeguards). (If have recent approval of EIA or RMES, prepare RMP if deemed needed.)</td>
</tr>
<tr>
<td>Feasibility Study</td>
<td>Scoping for Category I or A projects</td>
<td>Prepare TOR for EIA of proposed project. Conduct public consultation on TOR or EIA. Submit to PMU to review scoping results and EIA reports, TOR for proposed project.</td>
</tr>
<tr>
<td></td>
<td>Developing EIA for projects of Category I or A</td>
<td>Prepare draft EIA report, in which alternative options, impact, mitigation measures, and EMP are presented.</td>
</tr>
<tr>
<td>Detailed Design</td>
<td>Public consultation and disclosure</td>
<td>Present draft summary of EIA, RMES, or RMP to affected community. Invite opinions from commune/ward authorities or representatives of affected community as instructed in Decree 21/2008/ND-CP. Summarize conclusions of EIA. EIA of Category I projects must be posted in public places near project area. Keep in project files and attach records of public consultation to EIA, then submit to PMU and WB.</td>
</tr>
<tr>
<td></td>
<td>Finalization of EIA report and submission</td>
<td>Integrate stakeholders’ views and opinions by incorporating outcomes from consultations to finalize EIA report. Submit to MONRE/DONRE for approval. If project is of potentially high environmental risk, EIA must be reviewed and approved by WB prior to MONRE/DONRE’s approval before loan agreement.</td>
</tr>
</tbody>
</table>
## Implementation of the EMP

<table>
<thead>
<tr>
<th>Step</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation of the EMP</td>
<td>Submit decision approving the EIA to PMU. Implement mitigation measures via contractor. Coordinate with PMU for preparation of TOR for independent monitoring. Coordinate with independent monitoring organizations/consultants appointed by PMU, review and provide opinions on independent monitoring reports and submitted to PMU. Conduct internal monitoring on contractors’ environmental safeguards measures implementation and send internal monitoring reports at frequency specified in EMP, RMES, or RMP. Report to PMU on implementation status of mitigation measures and findings from the monitoring program.</td>
</tr>
</tbody>
</table>

## Monitoring and reporting

<table>
<thead>
<tr>
<th>Step</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring and reporting</td>
<td>Conduct independent monitoring of EMP for project of high environmental risks, or of Category I or A. Review independent monitoring reports and internal monitoring reports on implementation of EMP, RMES, or RMP. Consolidate internal and independent monitoring reports and submit to PMU. PMU reviews report and submits approved report to WB. PMU provides external monitoring and technical assistance on compliance with safeguards requirements. PMU consolidates semi-annual monitoring report for WB.</td>
</tr>
</tbody>
</table>