IMPLEMENTATION COMPLETION AND RESULTS REPORT
(TF-94240)

ON A

GRANT

IN THE AMOUNT OF US$ 7.188 Million

TO THE

SOCIALIST REPUBLIC OF VIETNAM

FOR A

MULTI DONOR TRUST FUND FOR PUBLIC FINANCIAL MANAGEMENT
MODERNIZATION

June 30, 2014

Poverty Reduction and Economic Management Unit

East Asia and Pacific Region
CURRENCY EQUIVALENTS

Exchange Rate Effective December 31, 2013

Currency Unit = Dong (D)
US$ 1.00 = 21,100 D

FISCAL YEAR
January 1 -- December 31

Vice President: Axel van Trotsenburg
Country Director: Victoria Kwakwa
Lead Economist: Sandeep Mahajan
Project Team Leader: Minh Van Nguyen
ICR Team Leader: Minh Van Nguyen
ABBREVIATIONS AND ACRONYMS

AAA Analytical and Advisory Assistance
ASEAN The Association of South-East Asian Nations
AusAid The Australian Agency for International Development
CFAA Country Financial Accountability Assessment
CHF Swiss Franc
CIDA Canadian International Development Agency
CIT Corporate Income Tax
CPS Country Partnership Strategy
CTA Chief Technical Advisor
DFAT The Department of Foreign Affairs and Trade (Australia)
DFIS Department of Financial Information and Statistics of MOF
DO Development Objectives
DPs Development Partners
EAP East Asia Pacific
EC The European Commission
FDS Financial Development Strategy
FM Financial Management
FSA Financial Supervision Agency
FX rate Foreign Exchange Rate
GDP Gross Domestic Product
GOV Government of Vietnam
HCS Hanoi Core Statement on Aid Effectiveness
ICR Implementation Completion Report
ICRR Implementation Completion Review Report
IMF International Monetary Fund
IP Implementation Plan
IPSAS International Public Sector Accounting Standard
ISR Implementation Status Report
IT Information Technology
M&E Monitoring and Evaluation
MDAs Ministries Departments and Agencies
MDTF Multi-Donor Trust Fund
MOF Ministry of Finance
MTAP Medium Term Action Plan
MTR Mid-Term Review
PAD Project Appraisal Document
PDO Project Development Objective
PEFA Public Expenditure and Financial Accountability
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>PER-IFA</td>
<td>Public Expenditure Review and Integrated Fiduciary Assessment</td>
</tr>
<tr>
<td>PFM</td>
<td>Public Finance Management</td>
</tr>
<tr>
<td>PFMRI</td>
<td>Public Finance Management Reform Initiatives</td>
</tr>
<tr>
<td>PMU</td>
<td>Project Management Unit</td>
</tr>
<tr>
<td>PRSC</td>
<td>Poverty Reduction Support Credit</td>
</tr>
<tr>
<td>QEA</td>
<td>Quality at Entry</td>
</tr>
<tr>
<td>QSA</td>
<td>Quality of Supervision</td>
</tr>
<tr>
<td>SECO</td>
<td>The Swiss State Secretariat for Economic Affairs</td>
</tr>
<tr>
<td>SEDP</td>
<td>Socio-Economic Development Plan</td>
</tr>
<tr>
<td>SGA</td>
<td>State General Accounting</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>SOE</td>
<td>State-owned Enterprises</td>
</tr>
<tr>
<td>SSD</td>
<td>Single Strategic Document</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>TABMIS</td>
<td>The Treasury and Budget Management Information System</td>
</tr>
<tr>
<td>TF</td>
<td>Trust Fund</td>
</tr>
<tr>
<td>TOR</td>
<td>Terms of Reference</td>
</tr>
<tr>
<td>TSA</td>
<td>Treasury Single Account</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
</tbody>
</table>
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### A. Basic Information

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
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<tbody>
<tr>
<td>Project ID:</td>
<td>P110525</td>
<td>L/C/TF Number(s):</td>
<td>TF-94240</td>
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<tr>
<td>ICR Date:</td>
<td>06/30/2014</td>
<td>ICR Type:</td>
<td>Core ICR</td>
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<tr>
<td>Lending Instrument:</td>
<td>TAL</td>
<td>Grantee:</td>
<td>GOVERNMENT OF VIETNAM</td>
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<tr>
<td>Original Total Commitment:</td>
<td>USD 5.12M</td>
<td>Disbursed Amount:</td>
<td>USD 5.10M</td>
</tr>
<tr>
<td>Revised Amount:</td>
<td>USD 5.10M</td>
<td></td>
<td></td>
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</tbody>
</table>

**Environmental Category:** C  
**Implementing Agencies:**  
Ministry of Finance  
**Co-financiers and Other External Partners:**  
EC, Danish Development Agency, AUSAID/DFAT, CIDA, SECO, Government of Netherlands

### B. Key Dates

<table>
<thead>
<tr>
<th>Process</th>
<th>Date</th>
<th>Process</th>
<th>Original Date</th>
<th>Revised / Actual Date(s)</th>
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<tr>
<td>Appraisal:</td>
<td>03/02/2009</td>
<td>Restructuring(s):</td>
<td></td>
<td>01/06/2011 06/25/2012</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Closing:</td>
<td></td>
<td></td>
</tr>
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</table>

### C. Ratings Summary

#### C.1 Performance Rating by ICR

<table>
<thead>
<tr>
<th>Outcomes:</th>
<th>Moderately Satisfactory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk to Development Outcome:</td>
<td>Moderate</td>
</tr>
<tr>
<td>Bank Performance:</td>
<td>Moderately Satisfactory</td>
</tr>
<tr>
<td>Grantee Performance:</td>
<td>Moderately Satisfactory</td>
</tr>
</tbody>
</table>

#### C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)

<table>
<thead>
<tr>
<th>Bank</th>
<th>Ratings</th>
<th>Borrower</th>
<th>Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality at Entry:</td>
<td>Moderately Satisfactory</td>
<td>Government:</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Quality of Supervision:</td>
<td>Satisfactory</td>
<td>Implementing Agency/Agencies:</td>
<td>Moderately Satisfactory</td>
</tr>
</tbody>
</table>
**Overall Bank Performance:** Moderately Satisfactory  
**Overall Borrower Performance:** Moderately Satisfactory

### C.3 Quality at Entry and Implementation Performance Indicators

<table>
<thead>
<tr>
<th>Implementation Performance</th>
<th>Indicators</th>
<th>QAG Assessments (if any)</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential Problem Project at any time (Yes/No):</td>
<td>No</td>
<td>Quality at Entry (QEA):</td>
<td>None</td>
</tr>
<tr>
<td>Problem Project at any time (Yes/No):</td>
<td>Yes</td>
<td>Quality of Supervision (QSA):</td>
<td>None</td>
</tr>
<tr>
<td>DO rating before Closing/Inactive status:</td>
<td>Moderately Satisfactory</td>
<td></td>
<td></td>
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</table>

### D. Sector and Theme Codes

<table>
<thead>
<tr>
<th>Sector Code (as % of total Bank financing)</th>
<th>Original</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central government administration</td>
<td>57</td>
<td>80</td>
</tr>
<tr>
<td>Public administration- Financial Sector</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>Public administration- Industry and trade</td>
<td>29</td>
<td>15</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Theme Code (as % of total Bank financing)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate governance</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Debt management and fiscal sustainability</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Other public sector governance</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Public expenditure, financial management and procurement</td>
<td>45</td>
<td>50</td>
</tr>
<tr>
<td>Tax policy and administration</td>
<td>30</td>
<td>25</td>
</tr>
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</table>

### E. Bank Staff

<table>
<thead>
<tr>
<th>Positions</th>
<th>At ICR</th>
<th>At Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vice President:</td>
<td>Axel van Trotsenburg</td>
<td>James W. Adams</td>
</tr>
<tr>
<td>Country Director:</td>
<td>Victoria Kwakwa</td>
<td>Ajay Chhibber</td>
</tr>
<tr>
<td>Sector Manager/Lead Economist:</td>
<td>Sandeep Mahajan</td>
<td>Barbara Nurnberg</td>
</tr>
<tr>
<td>Project Team Leader:</td>
<td>Minh Van Nguyen</td>
<td>Quyen Hoang Vu</td>
</tr>
<tr>
<td>ICR Team Leader:</td>
<td>Minh Van Nguyen</td>
<td></td>
</tr>
<tr>
<td>ICR Primary Author:</td>
<td>Tuan Minh Le</td>
<td>Minh Van Nguyen</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Anh Phuong Nguyen</td>
</tr>
</tbody>
</table>
F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document)

The project development objectives (PDOs) of this MDTF on public financial management are for the Bank and contributing donors to support the client to develop capacities towards strengthened public finance management system through a) developing robust and efficient systems for raising and deploying resources, b) improving quality and effectiveness of expenditures in achieving government’s social and economic policies, c) supporting the introduction of market orientation for public finance management, and d) promoting transparency and accountability at all levels in the management of public finances. The PDOs are complementary to three higher level objectives of the country's four key reform pillars, namely improved business environment, social inclusion and governance. These will also support the achievement of the country's Socio-Economic Development Plan goal of becoming a middle income country in 2010 with strengthened public governance.

Revised Project Development Objectives (as approved by original approving authority)

Strengthened capacity for increased coordination and transparency in public financial management; improved revenue mobilization; and effective and efficient public expenditure management.

The revised PDO has three intermediate outcomes and 15 outcome indicators, which will be measured through progress on various reform activities and programs of the Project (see Annex 2 for details). The reform activities are linked directly to the achievement of the intermediate outcomes, which in turn will contribute to the overall PDO.

Intermediate Outcome Indicator(s)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Baseline Value</th>
<th>Original Target Values (from approval documents)</th>
<th>Formally Revised Target Values</th>
<th>Actual Value Achieved at Completion or Target Years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicator 1 :</strong> Completed Public Expenditure and Financial Accountability (PEFA) Review</td>
<td>No PEFA assessment.</td>
<td>Completed Public Expenditure and Financial Accountability Review.</td>
<td>MOF completed PEFA assessment and the report was disclosed/disseminated through a workshop in July 2013.</td>
<td>06/25/2012 09/12/2013</td>
</tr>
<tr>
<td>Date achieved Comments (incl. % achievement)</td>
<td>06/25/2012</td>
<td>06/25/2012</td>
<td>09/12/2013</td>
<td>The target has been met.</td>
</tr>
<tr>
<td>-----------------</td>
<td>--------------------------------------------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Value (quantitative or qualitative)</strong></td>
<td>No action plan for FDS 2011-2020.</td>
<td>Action program for FDS 2011-2020 approved by the MOF.</td>
<td>Action Program for FDS 2011-2020 was approved in January 2013. Medium-term action plan 2014-2016 was developed and approved by MOF in Feb. 2014.</td>
<td></td>
</tr>
<tr>
<td><strong>Date achieved</strong></td>
<td>06/25/2012</td>
<td>1/30/2013</td>
<td>2/17/2014</td>
<td></td>
</tr>
<tr>
<td><strong>Comments (incl. % achievement)</strong></td>
<td>Target has been achieved.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Indicator 3 :</strong></th>
<th>Developed regulations on disclosure of information on public and publicly guaranteed debt.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value (quantitative or qualitative)</strong></td>
<td>No regulation exists on disclosure of public debt information.</td>
</tr>
<tr>
<td><strong>Date achieved</strong></td>
<td>06/25/2012</td>
</tr>
<tr>
<td><strong>Comments (incl. % achievement)</strong></td>
<td>Target has been achieved</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Indicator 4 :</strong></th>
<th>Developed indicators and monitoring system for oversight of SOE financial performance.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value (quantitative or qualitative)</strong></td>
<td>No system of indicators exists for SOE performance monitoring and reporting.</td>
</tr>
<tr>
<td><strong>Date achieved</strong></td>
<td>06/25/2012</td>
</tr>
<tr>
<td>Comments (incl. % achievement)</td>
<td>Target has been achieved</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td><strong>Indicator 5:</strong></td>
<td>Completed audit of IT security arrangements in MOF with action plan for follow up implementation.</td>
</tr>
<tr>
<td>Value (quantitative or qualitative)</td>
<td>IT security policy not developed.</td>
</tr>
<tr>
<td>Date achieved</td>
<td>06/25/2012</td>
</tr>
<tr>
<td>Comments (incl. % achievement)</td>
<td>Target has been achieved.</td>
</tr>
<tr>
<td><strong>Indicator 6:</strong></td>
<td>Piloted and applied Regulation on evaluation of implementation of PFM legislation in Vietnam.</td>
</tr>
<tr>
<td>Value (quantitative or qualitative)</td>
<td>No regulations on evaluation of legal implementation exist.</td>
</tr>
<tr>
<td>Date achieved</td>
<td>06/25/2012</td>
</tr>
<tr>
<td>Comments (incl. % achievement)</td>
<td>Target has been achieved.</td>
</tr>
<tr>
<td><strong>Indicator 7:</strong></td>
<td>Adopted legal framework for the establishment of internal audit mechanism in Vietnam.</td>
</tr>
<tr>
<td>Value (quantitative or qualitative)</td>
<td>No legal framework for establishment of internal audit</td>
</tr>
<tr>
<td>Date achieved</td>
<td>Comments (incl. % achievement)</td>
</tr>
<tr>
<td>---------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td><strong>Indicator 8</strong></td>
<td>Reviewed implementation of 11 tax policy measures with recommendations submitted to MOF.</td>
</tr>
<tr>
<td>06/25/2012</td>
<td>06/25/2012</td>
</tr>
<tr>
<td><strong>Indicator 9</strong></td>
<td>Developed National Single Window System consistent with ASEAN requirements for customs administration.</td>
</tr>
<tr>
<td>06/25/2012</td>
<td>06/25/2012</td>
</tr>
<tr>
<td><strong>Indicator 10</strong></td>
<td>Developed roadmap for Public Sector Accounting Standards with finalized gap</td>
</tr>
<tr>
<td>Value (quantitative or qualitative)</td>
<td>Roadmap for adoption of Public Sector Accounting Standards not yet developed.</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Date achieved</td>
<td>06/25/2012</td>
</tr>
<tr>
<td>Comments (incl. % achievement)</td>
<td>Target has been achieved.</td>
</tr>
</tbody>
</table>

**Indicator 11:** Reviewed the existing corporate accounting standards in Vietnam with recommendations for update.

<table>
<thead>
<tr>
<th>Value (quantitative or qualitative)</th>
<th>Vietnam corporate accounting standards were outdated.</th>
<th>Reviewed the existing corporate accounting standards in Vietnam with recommendations for update.</th>
<th>Completed review of 13/26 corporate accounting standards. Of which, 8 accounting standards were submitted to MOF leadership for issuance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date achieved</td>
<td>06/25/2012</td>
<td>06/25/2012</td>
<td>12/31/2013</td>
</tr>
<tr>
<td>Comments (incl. % achievement)</td>
<td>Target has been achieved.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Indicator 12:** Developed model and implementation roadmap for State Accounting General function.

<p>| Value (quantitative or qualitative) | State Accounting General Function did not exist. | Developed model and implementation roadmap for State Accounting General function. | State Treasury completed developing the draft Project on State General Accounting (incl. model and roadmap and solutions to implement the SGA model). The Minister of Finance has issued the |</p>
<table>
<thead>
<tr>
<th>Date achieved</th>
<th>Comments (incl. % achievement)</th>
</tr>
</thead>
<tbody>
<tr>
<td>06/25/2012</td>
<td>Target has been achieved.</td>
</tr>
<tr>
<td>06/25/2012</td>
<td>Target has been achieved.</td>
</tr>
<tr>
<td>02/01/2013</td>
<td>Target has been achieved.</td>
</tr>
</tbody>
</table>

**Indicator 13**: Developed roadmap for the development of Vietnam's bond markets.

**Value (quantitative or qualitative)**
- No roadmap for Bond Market Development.
- Developed roadmap for the development of Vietnam's bond markets.
- The roadmap for development of the bond market was completed and issued by MOF through Decision 261/QD-BTC.

**Date achieved**: 06/25/2012  06/25/2012  02/01/2013

**Indicator 14**: Developed modern cash and risk management system toward security and effectiveness with improved coordination between cash and debt management.

**Value (quantitative or qualitative)**
- Developed modern cash and risk management system toward security and effectiveness with improved coordination between cash and debt management.
- MOF issued circular on management of cash revenue and expenditure through the State Treasury system.
- State Treasury also completed the cash flow forecasting system and developed the cash fund control and risk management system.

**Date achieved**: 06/25/2012  12/31/2013

**Indicator 15**: Developed model for asset management system with reviewed business processes and finalized gap analysis.

**Value (quantitative or qualitative)**
- Asset registration system operated without consistent procedures.
- Developed model for asset management system with reviewed business.
- Conducted an assessment of the public asset database and developed.
processes and finalized gap analysis

standardized procedures for recording public assets. Rolled out the training of recording assets in standardized database to 5 ministries and 45 provinces

Date achieved | 06/25/2012 | 06/25/2012 | 12/31/2013

Comments (incl. % achievement) | Target has been achieved

G. Ratings of Project Performance in ISRs

<table>
<thead>
<tr>
<th>No.</th>
<th>Date ISR Archived</th>
<th>DO</th>
<th>IP</th>
<th>Actual Disbursements (USD millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>06/30/2010</td>
<td>Moderately Satisfactory</td>
<td>Moderately Satisfactory</td>
<td>0.50</td>
</tr>
<tr>
<td>2</td>
<td>10/18/2011</td>
<td>Moderately Unsatisfactory</td>
<td>Moderately Satisfactory</td>
<td>1.25</td>
</tr>
<tr>
<td>3</td>
<td>03/01/2013</td>
<td>Moderately Satisfactory</td>
<td>Moderately Satisfactory</td>
<td>2.95</td>
</tr>
<tr>
<td>4</td>
<td>10/17/2013</td>
<td>Moderately Satisfactory</td>
<td>Moderately Satisfactory</td>
<td>4.04</td>
</tr>
<tr>
<td>5</td>
<td>12/26/2013</td>
<td>Moderately Satisfactory</td>
<td>Moderately Satisfactory</td>
<td>4.70</td>
</tr>
</tbody>
</table>

H. Restructuring (if any)

<table>
<thead>
<tr>
<th>Restructuring Date(s)</th>
<th>Board Approved PDO Change</th>
<th>ISR Ratings at Restructuring</th>
<th>Amount Disbursed at Restructuring in USD millions</th>
<th>Reason for Restructuring &amp; Key Changes Made</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/06/2011</td>
<td>N</td>
<td>MS</td>
<td>MS</td>
<td>0.93</td>
</tr>
<tr>
<td>06/25/2012</td>
<td>N</td>
<td>MU</td>
<td>MS</td>
<td>2.48</td>
</tr>
</tbody>
</table>

I. Disbursement Profile
1. Project Context, Development Objectives and Design

The objectives of the Project were to support the Government of Vietnam to develop capacities to strengthen its public finance management system through: (a) developing robust and efficient systems for raising and deploying resources; (b) improving the quality and effectiveness of public expenditures in achieving the Recipient’s social and economic policies; (c) supporting the introduction of market orientation in public finance management; and (d) promoting transparency and accountability at all levels in the management of public finances. The objectives were complementary to three higher level objectives of the country’s four key reform pillars, namely improved business environment, social inclusion and governance. These were to support the achievement of the country’s Socio-Economic Development Plan goal of becoming a middle income country in 2010 with strengthened public governance.

1.1 Context at Appraisal

Country and Sector background: At the time of the project preparation in 2008, Vietnam had been among the fastest-growing economies in the world for almost two decades. Over these years, comprehensive economic reforms had led to rapid economic growth and remarkable progress on development outcomes, including rapid poverty reduction. Vietnam was expected to be reaching middle-income country status by 2010. However, reaching middle-income status would require further financial deepening to support capital mobilization, the regulation of access to and pricing of infrastructure services, the gradual development of modern social insurance, more effective tools for environmental protection, public financial management reforms, legal and judiciary reforms, and the effective containment of corruption, among others.

Vietnam’s economic development over the previous decades had been accompanied by continuous efforts to establish a sound public financial management system in the country. With the adoption of the first organic budget law in 1996 and its revision in 2002, a solid legal framework for public resource management had been put in place. A centralized treasury system was set up with branches extending from the center to all provinces and districts to provide basic essential financial services to all government agencies. Steady progress had been achieved in making the budget more predictable and pro-poor and the budgeting process more transparent and participatory. Substantial efforts were made to improve transparency in the use of public resources through provision to the public of increased information on detailed government spending as well as wider disclosure of government expenditure policies, regulations and procedures. Vietnam had been recognized for its relatively prudent fiscal policy.

Despite positive progress, considerable challenges remained. Although fiscal trends had been positive, a number of threats to fiscal sustainability existed in the forms of off-budget bonds to finance infrastructure and contingent liabilities arising from the operations of the Vietnam Development Bank, banking sector and other subnational
development funds. The composition of public expenditure remained imbalanced in favor of capital expenditure, negatively affecting the efficiency of public resources. Processes for prioritizing expenditures remained ineffective and expenditure planning was still conducted without reference to medium-term resource constraints. There were shortcomings in Vietnam’s public financial management information systems and public accounting regulations. The lack of a fully consolidated budget made it difficult to monitor total revenues and expenditures, as well as the true fiscal position. Extra-budgetary funds, on-lent official development assistance were not consolidated into the budget. The lack of common accounting structures resulted in numbers which were inconsistent and hard to compare. The lack of integrated, electronic data recording and reporting resulted in laborious manual consolidation and manipulation of data from multiple satellite databases, and in financial reporting which was neither timely nor accurate. These deficiencies contributed to the poor flow of budgetary information between government ministries, provinces, development partners and the public.

There were significant weaknesses in revenue administration as well. Vietnamese Customs were still considered low, unresponsive, inconsistent and vulnerable to corruption. A long-term vision with clear strategic goal was lacking. Customs administration needed to change significantly, shifting from a culture of domestic protection and control of all transactions to one that facilitates foreign trade and promotes private sector development. Tax administration was characterized by low compliance and vulnerability towards corruption. Significant modernization in tax administration was needed: (1) to streamline the legal framework related to tax administration; (2) to ensure effective coordination and information sharing between the tax administration and other government agencies; (3) to provide taxpayers with better knowledge about the tax laws and compliance procedures; (4) to provide equate professional skills and staff training; and (5) to upgrade ICT system to be in line with the requirements of a modern tax administration. Tax laws and policies would need further reform to broaden the tax base, reduce the number of rates and exemptions.

Since late 2007, the Ministry of Finance had adopted the Single Strategy Document (SSD) aiming at speeding up and improving the quality and effectiveness of reforms as well as the collaboration between specific sub-sectors reforms of overall PFM reform within the ministry over the period to 2010. Those reforms were organized around seven pillars: strengthening state budget expenditure management, state budget revenue management, public debt management, financial market supervision and bond market development, corporate finance management, public assets management, and price control.

Project Background: The Project, MDTF-2, was a continuation of a successful trust fund operation (MDTF-1) which was a first attempt to pool funding from development partners to provide efficient and consistent TA advice to support PFM reform in Vietnam. Six development partners (Australia, Canada, European Commission, Denmark, the Netherlands, and Switzerland) agreed to finance the second MDTF for Public Financial Management Modernization (MDTF-2) until the end of 2012. The MDTF-2 would mainly finance the needs of technical assistance and capacity building activities, and analytical and diagnostic work as laid out in the SSD. The MDTF-2 was to
provide for greater strategic focus of the activities to be financed, greater MOF ownership in project selection and financial management desired by MOF in consistent with the Hanoi Core Statement on Aid Effectiveness (HCS), and more institutional capacity building. The MDTF-2 was designed to be a four year technical assistance project executed by the government and administered by the World Bank.

**Rationale for Bank Assistance:** Public Financial Management, a comparative advantage of the Bank in Vietnam, had been one the key priorities of the previous two Country Assistance Strategies of the Bank and remained a priority for the Country Partnership Strategy for the period 2007-2011. In addition to the MDTF, the Bank had been very active in supporting the PFM reform through its lending operations and AAA works. Furthermore, MDTF-2 would continue to strengthen the Bank’s coordination role in PFM reform in Vietnam.

1.2 Original Project Development Objectives (PDO) and Key Indicators *(as approved)*

The project development objectives (PDOs) of the MDTF-2 for Public Financial Management Modernization were to develop capacities towards a strengthened public finance management system.

Project development objectives have seven intermediate outcomes:

a) Better budget estimation with a medium term vision and a focus on outcomes, and improved effectiveness of resources allocation and utilization.

b) Consistent and equitable system of tax policies, enhanced tax management and inspection capacities; transparent customs legal system, unified clearance system and professional staff.

c) Public debt including borrowings of SOEs adequately managed, contributing to fiscal sustainability and the safety of national finance.

d) Financial market especially bond market developed and supervised in a stable manner to provide the best financial resource for the economy.

e) SOEs restructured with synchronized mechanisms for their corporate and financing management in line with international practices and eliminated privileged treatment in line with WTO commitments.

f) Public assets and land in particular managed and utilized in a better integrated, effective and accountable manner to improve public services delivery and benefit all economic sectors.

g) Pricing controlled and regulated basing on market mechanism, with monopoly pricing or dual pricing abolished as much as possible.

1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification
**Revised PDO:** Strengthened capacity for increased coordination and transparency in public financial management; improved revenue mobilization; and effective and efficient public expenditure management.

**Intermediate outcomes:** The revised PDO had three new intermediate outcomes, down from seven in the original results framework. The intermediate outcomes related to the areas directly supported by PFM MDTF 2:

1. Increased coordination and transparency across the national PFM system through a clear reform strategy, greater disclosure, improved oversight capacity, more secure IT systems, and compliance with PFM legislation.
2. Improved revenue mobilization through equitable and efficient tax policies; and efficient customs administration.
3. Strengthened expenditure management through higher accounting standards, and improved capacity in financial reporting, cash management, and state asset management.

**Output indicators:** The intermediate outcomes were measured by 15 new output indicators, reflecting the breadth of areas covered under PFM MDTF 2, replacing the set of 42 indicators in the original results framework. The proposed changes were fully in line with the Project Appraisal Document for PFM MDTF 2, which indicated that the original results framework was tentative, and that specific indicators would be identified during implementation.

**Reasons for revising PDO:** The original PDO and Project results framework were a summary of SSD objectives. PFM MDTF 2 was expected to only support a subset of these. The intention as set out in the Project Appraisal Document was therefore to update the results framework once specific projects and activities under PFM MDTF 2 were agreed. The proposed revisions to the PDO and results framework accordingly reflected the expected outputs and outcomes from agreed projects and activities. As the original PDO and results framework were too broad to provide a reasonable basis for reviewing Project performance, the restructuring, therefore, helped to tackle this issue by defining more clearly the expected results of the Project.

**1.4 Main Beneficiaries**

The main beneficiaries of the project were implementing departments of the Ministry of Finance. These included: State Budget department, Accounting and Auditing Policy department, State Treasury, Corporate Finance department, State Asset Management department, IT department, Legal department, Debt Management and External Finance department, Price Control department, Banking and Financial Institutions department, Tax Policy department, General Taxation department, Personnel and Training department, Insurance Management and Supervision department, Finance Institute. Other individuals and organizations were also expected to benefit from the project such as line
ministries and sub-national governments through the assessment of the PEFA and attendance of training seminars and workshops supported by the Project.

1.5 Original Components

The project at design was expected to finance mainly technical assistance and capacity building activities, and analytical and diagnostic work to be undertaken by the Government. The project was designed as a pool of flexible funding made available to MOF to support its public finance management reform program which consisted of the following components:

a) Budget management: strengthening institutional framework, capacity building, developing the Treasury and Budget Management Information System (TABMIS) as well as developing a medium and long term public expenditure framework to meet the requirements of public financial management.

b) Budget revenue management (taxation and customs): strengthening the tax administration system and customs modernization to meet the requirements of economic growth and intensive international economic integration.

c) Debt management: strengthening the system for recording domestic and external debt, and developing a debt management and risk management systems.

d) Financial market supervision and bond market development: establishment of a financial service supervision agency (Financial Supervision Agency – FSA) and a road map for bond issuance and development of a bond market.

e) Corporate finance management: strengthening financial management capacity and mechanism in Government’s business activities to speed up the equitization process and increase the efficient use of capital by state enterprises.

f) Public assets management: strengthening the legal framework, strengthening the capacity of officials in-charge of managing public assets, developing a better system of monitoring public assets; enhancing the examination and inspection over the management and utilization of public assets.

g) Price control: developing and improving legal system for price control; developing a professional price valuation system under the socialism-oriented market economy in Vietnam.

1.6 Revised Components

After the restructuring, project activities were not grouped into components; they were rather reported by two implementation plans (IP1 and IP2). Activities were linked to the outputs as set out in the revised result framework which had three components:

(i) Increased coordination and transparency across the national PFM system through a clear reform strategy, greater disclosure, improved oversight capacity, more secure IT systems, and compliance with PFM legislation.

(ii) Improved revenue mobilization through equitable and efficient tax policies; and efficient customs administration.
(iii) Strengthened expenditure management through higher accounting standards, and improved capacity in financial reporting, cash management, and state asset management.

1.7 Other significant changes

The Project went through two restructurings.

**First restructuring:** The first restructuring (January 6, 2011) involved following changes:

- **Additional financing:** The Swiss State Secretariat for Economic Affairs (SECO) joined the MDTF-2 in 14 December 2009 with contribution of CHF 2 million. As a result, the total commitments of the TF increased to USD 7,188,320 equivalent. Accordingly, allocation of expenditure categories was also revised as per table below:

<table>
<thead>
<tr>
<th>Category of Expenditure</th>
<th>Allocation</th>
<th>% of Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current</td>
<td>Revised</td>
</tr>
<tr>
<td>1. Consultants’ services</td>
<td>3,075,000</td>
<td>4,312,992</td>
</tr>
<tr>
<td>2. In-country and overseas training, workshops, study tours and surveys</td>
<td>184,000</td>
<td>2,587,795</td>
</tr>
<tr>
<td>3. Incremental operating costs</td>
<td>205,000</td>
<td>287,533</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,120,000</strong></td>
<td><strong>7,188,320</strong></td>
</tr>
</tbody>
</table>

- **Closing date:** The TF closing date was extended to June 30, 2012 to align with all DPs’ administrative agreements.

**Second restructuring:** The second restructuring (June 25, 2012) included the following changes:

- **Closing date:** The restructuring extended the Project closing date from June 30, 2012, to December 31, 2013.

- **Change in PDO:** The PDO was revised as described in section 1.3.

- **Project financing:** Total Grant amount based on the development partner commitments was approximately $7,563,320 (using FX rate at the time of restructuring) and the transfer of donor funding was conditional on

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1 The original closing date of the TF was set for June 30, 2011 to accommodate the end of disbursement date (EOD) of 31 December 2011 in the Administration Agreement signed with the European Commission, despite the fact that EOD of all other DPs was set for December 31, 2012. The EC then extended its EOD to December 31, 2012 to be aligned with other development partners.
implementation progress. Due to slow progress in the project implementation, the donors were not been able to disburse their full committed amounts. Total final paid-in contributions from donors amounted to $5,862,417 which was considered sufficient to cover the costs of IP 1 and IP 2, after taking account of the Bank’s administration costs. Among Development Partners, Canada, the European Commission, the Netherlands, and Switzerland had undisbursed commitments. The Netherlands decided not to extend their support and exited the MDTF-2 at the MTR.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

Quality at Entry: An informed-decision was made to keep the project broadly aligned to the SSD at design. Since specifying details and the funding level for each component was not possible at preparation stage, the project (as a Trust Fund) was designed by mutual agreement between all parties involved to be flexible and available to respond to the needs of activities as they would arise. Prioritization and strategic focus was expected to be identified by MOF in the annual implementation plans (IPs) based on the proposals submitted by beneficiary departments and agencies.

The SSD contained long lists of activities across seven areas to be implemented over the four-year period. It was unlikely that all those activities would have the same strategic importance, or even among priority actions, appropriate sequencing was to be the key to success. Supporting the implementation under the SSD across its seven pillars would require being selective within each of them and paying attention to the content of the most important measures.

To help mitigate the risk of insufficient capacity of MOF to manage and implement PFM reform, the design included a peripatetic Chief Technical Advisor or Program Implementation Advisor to be hired on long-term contractual basis for support to MOF in (i) ensuring that the program is implemented with a strategic vision; (ii) formulating Implementation Plans (IPs); and (iii) developing Terms of Reference (TORs).

Soundness of background analysis: A series of AAA had been undertaken to provide sound analytical underpinnings to the formulation of the Government-led PFM reform program that the project would support. These included the joint IMF-World Bank study of 1999 "Towards Fiscal Transparency"; the joint 2000 Government-donor Public Expenditure Review; the 2001 Country Financial Accountability Assessment; the 2002 Country Procurement Assessment Report, the joint government-donor 2004 Public Expenditure Review and Integrated Fiduciary Assessment (PER-IFA) and the 2007 Country Financial Accountability Assessment (CFAA) which were being finalized during the project preparation. The predecessor MDTF-1 had been effective in assisting the Government in implementation of the recommended reforms in the 2004 PER-IFA, while this project was expected to continue the support with extension to recommendations of the 2007 CFAA.
Lessons learned and reflected in the project design: The design of the MDTF2 incorporated lessons learned from the previous operation, the MDTF-1. These included (i) a need to better link the support to strategic areas of Public Finance Management Reform and avoid ad-hoc activities, (ii) a lack of adequate attention to institutional capacity building in some areas due to relative short-term horizon by the design (18 months), and (iii) a lack of a single strategic document to guide planning and implementation of the MDTF-1.

To address the above problems, several additional design features were introduced in this project. First, contributing donors would commit their funding for a longer period of time (four years). Second, the Government had prepared a Single Strategic Document (SSD) laying down FPM strategies based on the PFM reform objectives contained in the 2006-2010 Socio-Economic Development Plan. The SSD was a framework of reform strategies for the overall development of public finance sector. It comprised specific reform activities of each public finance management area. It also set out expectations on timeframe, resources and financial sources as well as requirements for technical assistance. The annual implementation plan of project activities would be prepared based on this SSD. Third, it was agreed that the SSD would be an open document in the sense that it would allow for including new reforms to be identified through diagnostic studies being and to be carried out in the future years such as the CFAA-2007. Fourth, it was also agreed that preparation of annual implementation plan would address the capacity building needs more actively and this should be a high priority criteria for screening proposals submitted by beneficiary departments and agencies.

Alternatives considered and reasons for rejection: An alternative for donors to provide funding through a Bank-executed trust fund was discussed but found not preferable. The modality of a Recipient-executed trust fund would better meet the following requirements from contributing donors:

- **First**, the support should be in line with the strengthened ownership of the government, provided that there was a stronger and more explicit linkage between funded activities and the strategic areas under PFMRI. The operationalization of the SSD had fulfilled this requirement.

- **Second**, the Project should be consistent with the Hanoi Core Statement on Aid Effectiveness (HCS, October 2005), the associated spirit of the PRSC arrangement, and the flexibility and transaction efficiencies demonstrated under MDTF-1. Trust Fund operations were inherently consistent with HCS, as Government had a stronger decree of self-control than under traditional projects, and efficiency gains were realized through the pooling of donor resources.

- **Third**, the Project should more explicitly address the capacity building issue.

Risks and Risk Mitigation Measures: The Project Appraisal Document (PAD) had identified some risks; and mitigation measures as deemed appropriate at that time were
taken during the preparation stage. Although in most areas the risks were identified as moderate, these risks were managed appropriately as indicated in the PAD.

**Adequacy of participatory processes:** The project was prepared jointly by the MOF, the contributing donors and the World Bank. The choice of the instrument (Government-executed trust fund), the design, the governance structure and operating principles were intensively discussed and agreed among all parties involved during preparation.

**Adequacy of government commitment:** There was strong ownership in the Vietnamese Government of the PFM reform agenda that the project would support. The Government had prepared a Single Strategic Document (SSD) laying down PFM strategies based on the PFM reform objectives contained in the 2006-2010 Socio-Economic Development Plan. Support to the implementation of reforms was coordinated through the Government-led PFM partnership group which overarched the activities of government, donors, meeting half yearly to discuss progress. PFM remained at the center of Government’s Public Sector reform program. Other focus areas were organizational restructuring, pay and employment reform and institutional development.

### 2.2 Implementation

PFM MDTF 2 became effective in September 2009. Two Implementation Plans (IP1 and IP2) made up of a series of short-term technical assistance (TA) activities were agreed in March 2010 and June 2011, respectively. A Mid-Term Review (MTR) of PFM MDTF 2 was conducted during August-September 2011. The MTR found that despite some good progress, overall implementation had been difficult and slow due to lack of a sequenced PFM strategy, the breadth of engagement, and operational inefficiencies resulted from lengthy review and approval process.

The project was restructured on June 15, 2012 to: (i) revise the Project Development Objective (PDO) and accompanying results framework to align these with agreed project activities and government priorities; and (ii) extend the project by eighteen months to enable completion of activities and progress towards PDO.

Following the MTR, the MOF took a number of steps to strengthen project management, most notably through appointment of a senior MOF official as full-time Project Coordinator and greater delegation of authority and implementation responsibility to beneficiary Departments. Implementation picked up since the Mid-Term Review, then continued to progress reasonably well during 2012 and earlier 2013, and accelerated significantly during the last six months of the project life. By the closing date of the project, all activities of IP1 and IP2 were completed and all payment obligations were fully settled by the end of the disbursements date.

**Factors affecting implementation:** The following factors affected project implementation:

(i) MOF capacity to coordinate a complex TA program had not been sufficiently developed in time to manage such a large TA program such as the MDTF-2. The
PFM reform strategy outlined in SSD was complex in its dimensions and the relationships between different components of the strategy required coordinated implementation of a large number of activities.

(ii) The process for preparing Implementation Plans was lengthy. This was in part related to the lack of strategic framework (due to the breadth of the Single Strategic Document and transition to the new 2010-2015 FDS). Delay in agreeing on the cost norms also made it difficult to prepare budget proposals in a timely manner. Furthermore, the CTA was not able to play the roles envisaged at the design to assist in prioritization.

(iii) There were lengthy MOF and Bank/DPs review and clearance processes at the initial stage of implementation. Due to a lack of clear criteria for screening proposals, substantial amount of time was spent on reaching consensus between MOF, WB and DPs on what proposed activities fall under PFM areas and hence qualify for MDTF-2 support. This problem was later corrected with the World Bank proposing a set of criterion for screening proposals. As a result, the review and processing the IP2 were smoother than the IP1.

(iv) Due to the time gap between MDTF-1 and MDTF-2, the PMU had to be set up anew and due to the changes in the local labor market, it took time to find qualified personnel to fill all PMU positions. For the first three years of project implementation, there was no dedicated project coordinator to assist the PMU Director who was not a full-time position either.

(v) Lack of empowerment of beneficiary departments in managing their activities in the first half of project life (until after the Mid Term Review). The large areas of work mean that the PMU found it difficult to handle all logistic arrangements for the activities of the beneficiary departments and this was identified as one of the bottleneck in the earlier stage of the MDTF2 implementation.

(vi) Difficulty in finding suitable international consultants and local consultants (e.g. procurement for local consultant, and a number of other areas for international consultants).

(vii) Dual (government and World Bank) procurement procedures that the PMU had to comply with increased the workload of PMU whose capacity in procurement had not been sufficiently augmented (due to difficulty mentioned in bullet point 5 above). In addition, sometimes there was no clear guidance from PMU regarding procurement procedures, which put excessive burden on beneficiary departments and thus caused delays in project implementation.

**Donor Contributions:** As this is a donor trust funded project, the table below summarizes the contribution of each donor at the project’s closing. There were originally five donors for this project. However, one donor ended their involvement in June 2012.
PFMRP-MDTF2 – Donor Contribution –
As of May, 2014

<table>
<thead>
<tr>
<th>Donors</th>
<th>Contribution</th>
<th>Total funds valued at Project Closing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Currency</td>
</tr>
<tr>
<td>Department of Foreign Affairs and Trade (formerly known as AusAID)</td>
<td>2,500,000</td>
<td>AUD</td>
</tr>
<tr>
<td>CANADA – Department of Foreign Affairs, Trade and Development</td>
<td>1,000,000</td>
<td>CAD</td>
</tr>
<tr>
<td>Danish Ministry of Foreign Affairs (DANIDA)</td>
<td>10,000,000</td>
<td>DKK</td>
</tr>
<tr>
<td>EU – Commission of the European Communities</td>
<td>1,000,000</td>
<td>EUR</td>
</tr>
<tr>
<td>Netherlands – Minister for Foreign Trade &amp; Development Cooperation</td>
<td>430,000</td>
<td>USD</td>
</tr>
<tr>
<td>Swiss State Secretaries for Economic Affairs (SECO)</td>
<td>2,000,000</td>
<td>CHF</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Breakdown table for Recipient Executed and Bank-Executed

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recipient-executed</td>
<td>5,098,601</td>
</tr>
<tr>
<td>Bank-executed</td>
<td>498,452</td>
</tr>
<tr>
<td>Administration Fee</td>
<td>108,034</td>
</tr>
<tr>
<td>Balance*</td>
<td>808,412</td>
</tr>
</tbody>
</table>

* including investment income

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

**M&E Design.** Given the flexible nature of the project, the results framework at the design stage provided only indicative outcomes and indicators, which were built on the overall objectives of PFM reform in 2006-10 in related strategies, the Single Strategy Document (SSD) and the Program Memorandum between the Government and contributing donors (PM). The deliberate intention was to update the results framework once specific projects and activities under PFM MDTF 2 were agreed. The PDO and results framework were subsequently revised at the Mid-Term Review to reflect the expected outputs and outcomes from agreed projects and activities. These projects and activities were grouped into Implementation Plan 1 and 2 (IP1 and IP2). The revised result framework and indicators were formulated taking into account latest developments
in PFM performance measurement, including the PEFA framework. It attempted to link what the project was supporting with standardized measures of improvement in PFM system performance that they would contribute to. As in other public sector projects, however, the actual impact in terms of outcomes can take a while to materialize. As such, it would involve continued efforts that build on project activities. The project supported activities would, therefore, only constitute the building blocks for moving toward achieving these expected outcomes.

**M&E Implementation.** The PMU had developed the milestones of IP1 and IP2 to better monitor implementation progress of each project activities. The monitoring and evaluation tables that were regularly updated, and kept consistent with the project procurement plans, had proved useful tools to help track project milestones. These data were closely monitored and the actual figures were compared with the target values by the Bank and MOF.

**M&E Utilization.** Appropriate data collected by MOF were evaluated and used for decision making on certain activities. If any activity was no longer needed, it was either revised or dropped. For example, when the Custom Single Window project could not proceed due to limited time available within the remained timeline of the project, it was dropped from the scope of the project. Funding earmarked for this activity was released to finance newly identified priorities. In other case, thanks to close monitoring of budget and actual expenditure, the PMU was able to identify savings and decided to use them for extending the pilot of standardized state asset registration procedures to three more provinces.

Overall reporting on project outputs and results had been limited until the later stage of the project life. Things were substantially improved in the last year of project implementation when the PMU started sharing local and international consultants’ reports as well as newly issued laws and regulations that had benefited from the inputs provided by the MDTF2. This proved to be very helpful for assessing the progress of the consultants’ work and their quality, the extent to which the international experience and practices were shared and considered for application in Vietnam context. The MOF also made efforts to engage development partners in seminars/workshops to discuss and/or disseminate critical MDTF2 outputs such as the PEFA assessment report and the draft Medium Term Action Plan (MTAP) for implementation of the Financial Development Strategy 2020.

### 2.4 Safeguard and Fiduciary Compliance

**Fiduciary**

The project complied with fiduciary covenants during implementation. Internal control arrangements were in place, and financial management aspects were generally in compliance with Bank procedures, although there were a couple of issues during the earlier stage of project implementation. The quality of procurement management was acceptable to the Bank, though some flexibility had been adopted taking into account the nature of assignments under the project where the pool of qualified candidates is relatively limited. For details see Section 5.2 (b).
The PMU still needs to submit audited financial statements for the period from 1 January 2013 to 31 December 2013 plus the four month’s grace period (i.e. till 30 April 2014) to the Bank as required by the Financial Covenants.

Social
N/A

Environment
Environment category C- Not required.

Safeguard policies
None of the safeguard policies has been triggered by this project.

2.5 Post-completion Operation/Next Phase

(a) Sustaining Project’s achievements. Since all activities supported by the Project were part of Government’s on-going PFM reform program, it is likely that the project achievements will be sustained. The MOF departments confirmed to ICRR mission that many follow-up actions did take place after the Project closure. For examples: Minister of Finance has signed a decision (on February 17, 2014), approving the MTAP developed with the support of the MDTF-2; implementation of TSA is progressing well with roll-out completed in three out of four commercial banks; MOF has submitted to the Prime Minister the centralized procurement mechanism; Department of Financial Information and Statistics (DFIS) has prepared the ICT security strategy and road map to submit for Minister’s approval, implementation of the revised Tax Administration Law is in full swing, PEFA assessment results are being used as the basis for determining priorities of reform and future TA needs.

(b) Follow on project. The Swiss State Secretariat for Economic Affairs (SECO) and the World Bank (WB) are exploring the possible scope and arrangements for a Capacity Building, Analytical and Advisory Assistance (AAA) Program to support the Ministry of Finance (MOF) and if possible the National Assembly in its ongoing Public Financial Management (PFM) reforms. The support is expected to focus on reform initiatives aimed at improving the effectiveness and efficiency of PFM, public service delivery, fiscal risks monitoring, and fiscal transparency and accountability. The strategic focus of a possible future support will be guided by findings of the Public Expenditure and Financial Accountability (PEFA) self-assessment completed with MDTF-2 support, and the Government’s priorities. Specific supported areas will be identified based on potential impacts, realistic tangible results and comparative advantages of funding agencies.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

Rating: The objectives, design and implementation is highly relevant to the country priority and Bank assistance strategy.
The objectives, design and implementation of the project remain relevant to the country’s current priorities and development agenda. The objectives of the project were to strengthen Public Financial Management (PFM) system in Vietnam, which had been one of the main priorities of the previous Country Partnership Strategy for the period 2007-2011 and remain a priority for the current Country Partnership Strategy 2012-2016. There are three key pillars that the CPS 2012-2016 identified as key areas of engagement with the Government including competitiveness, sustainability, and opportunity. Addressing weakness in public financial management falls in the competitiveness pillar and is measured by ten result indicators. Some of which were achieved through the activities supported by the MDTF2.

Given the unclear strategic prioritization in the SSD and FDS which are used to anchor the development of IP1 and IP2 under the scope of MDTF2, the project from the design stage allowed for flexibility for efficacy and efficiency of the targeted interventions. It is important to note that MDTF 2 set objectives for PFM TA: It would help establish the building blocks for important reforms but it was not designed to deliver large PFM reforms from start to finish. The approach for design was relevant. Given how MDTF 2 was structured, it would not be possible to finance all elements of a particular PFM reform measure. The support was mostly short-term technical input, rather than large, long-term projects, which were designed to tackle one major reform from start to finish. MDTF 2 was a flexible instrument that can provide much needed supplemental and complementary support in targeted areas of the Government’s overall PFM strategy 2011-2020.

3.2 Achievement of Project Development Objectives

Rating: Moderately Satisfactory

There were two sets of PDOs – one at design stage and the other at restructuring. Until restructuring (June 2012), the MDTF implementation did not progress well. Operational inefficiencies were duly accounted for in the MTR. The new PDO after restructuring were decomposed into three components aimed at strengthening the government institutional capacity for:

- increased coordination and transparency in public financial management;
- improved revenue mobilization; and
- effective and efficient public expenditure management.

These three components of the PDO were set to be achieved through various reform activities and programs included in IP1 and IP2 (see details on outputs in Annex 2 and analysis of achievement of intermediate PDO indicators in Section F of the Data Sheet). The Bank also provided lending operation support to the Ministry of Finance through the Public Finance Management Reform and Tax Administration Management projects. The outputs and outcomes of these projects contributed to the achievement of the MDTF 2 PDO. In addition, the Bank also produced many analytical reports that were complementary to the outcomes of the MDTF2.
**Strengthened capacity for increased coordination and transparency in PFM:** The successful completion of a number of programs contributed to enhancement of the MOF capacity to coordinate across MOF departments and external public institutions at sector and sub-national levels in assessing and benchmarking the PFM institutional arrangements and processes (flagship completion of PEFA), enhance the credibility, transparency, and accountability in planning and budgeting (programs targeted at managing public debt as well as SOEs). The first self-assessed PEFA highlighted the wide and substantive participation and leadership across MOF and other relevant departments and was considered an important achievement. The publication of the PEFA is a clear indication of government commitment to transparent assessment of PFM system and practices. The development of the FDS 2011-2020 Action Program and preparation of the Medium Term Action Plan 2014-2016 provided not only an important opportunity to coordinate and prioritize reform efforts but also a projection of resource requirements, both internal and external, for implementation as well as an assessment of implementation risks. The engagement also helped DPs better understand the government’s reform priorities and align their support to GOV reform plan. Implementation of the public debt and SOE performance and financial reporting and monitoring decrees developed with the TA provided by MDTF 2 would make important contributions to increasing PFM transparency. In addition, the development and operation of the Macro-Economic Database with public access aimed to facilitate wider dissemination of a large number of macro-fiscal data for planning, budgeting and citizens’ oversight.

**Strengthened capacity for revenue management:** MDTF2 directly supported the strengthening of tax policies and legal foundation for revenue administration as to inform the Government’s new reform strategy until 2020. The review of implementation of tax policies provided critical inputs to numerous tax law revisions, some of which were already adopted and other would be considered in the pipeline over the next two years. The entire process to review all tax policies (including major taxes such as CIT, VAT, excise, and trade taxes as well as politically difficult emerging taxes such as environmental and property taxation) was built on consultative principle and involved a wide range of stakeholders. The decision to reallocate funding from the Customs Single Window to tax administration legal framework was made in 2013. The new project on developing detailed guidelines for implementing the amended Tax Administration Law helped adopt measures to: (i) simplify tax administration and reduce burden of compliance in particular for SMEs; (ii) adopt modern practices of risk-based audits and Advance Pricing Mechanisms to deal with transfer pricing issues; and (iii) improve the efficiency and effectiveness of tax administration.

**Strengthened capacity for effective and efficient expenditure management:** Efficiency and effectiveness of expenditure management was being attained under various program and activities of MDTF 2. MDTF2 helped to address some of the central reform agenda identified in the 2007 Country Financial Accountability Assessment, issues raised in the PEFA assessment; and to support functional departments of MOF to implement specific reforms set out in their sub-sector development strategies. MOF was making slow but
steady progress toward aligning its accounting framework (for both the government and the commercial sectors) with international standards. Through MDTF2 TA support, the MOF officials gained solid understanding of the international standards (IPSAS) and to identify gaps between those standards and Vietnam’s ones and the needs for revisions to align with the international practices. Government bank accounts management was being rationalized through TSA implementation which would enhance cash management and contribute to more efficient budget planning and execution. Increased information with improved accuracy and consistency on state assets had improved transparency and accountability of government agencies in asset management, one of the cornerstones in public investment management. The developed centralized procurement model, once implemented, would promote more transparent and efficient use of public resources.

It has been recognized that MDTF 2 was not intended to deliver large PFM reforms from start to finish but would contribute to strengthening capacity in the three outcome areas of the PDO. With successful completion of all the IP1 and IP2 activities, the Project is assessed to have fully achieved its deliverables. The support of MDTD2 has helped introduce certain new international PFM good practices and induce new ways of thinking on managing expenditures from the MOF perspective. On the other hand, because many reforms initiated with the support of the MDTF2 are still at the early stage of their implementation (e.g. IPSAS adoption, TSA implementation, centralized procurement, ICT security policy, SOE finance disclosure regulations, revised tax legislations etc…) they have not yet made fundamental changes on the ground due to very short time. Full achievement of the PDO would, therefore, require more time and further efforts and supports, in light of this, the PDO achievement is rated as *Moderately Satisfactory.*

3.3 Efficiency

**Rating: Moderately Unsatisfactory**

The project as set out in the PDO at design and restructuring stage aimed to enhance efficiency, effectiveness, transparency and accountability in PFM. A full-fledged financial and cost benefit analysis (or cost effectiveness analysis) was not required for this type of MDTF. The breadth of its interventions, and its multi-dimensional scope involving various stakeholders and implementing agencies made it impossible to gauge specific fiscal and economic benefit flows.

By the end of the project, all the planned project activities as set out in both IP1 and IP2 had been completed within the budget. The procurement was conducted in full compliance with the procedures stated in the Grant Agreement and in the agreed Procurement Plan. Though there was no cost-overrun in project implementation, the project suffered from operation inefficiencies resulting from a lengthy process of review and approval of the project activities at the early stage of implementation. Furthermore, as reported to the ICRR team, transaction costs incurred by the Bank were rather high. The Bank task team, including senior management, spent a higher than usual amount of time and resources on project implementation support for a project of the size of the MDTF-2, especially to resolve the project bottlenecks in the earlier stage and to provide
technical inputs for numerous TORs and technical proposals throughout project life. In many respects, the Bank task team had performed some tasks which should have been performed by the CTA. In addition, due to some rigid project administration procedures of MOF, the Bank task team leader was even requested to clear many small details of project implementation such as changes in the location of workshop, small changes of budgets for agreed activities.

3.4 Justification of Overall Outcome Rating

**Rating:** Given the ratings of (1) relevance of project objective, design, and implementation relevance, (2) PDO achievement, and (3) efficiency are High, Moderately Satisfactory, and Moderately Unsatisfactory respectively, the combined rating of the overall outcome of MDTF2 is *Moderately Satisfactory*.

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

*Poverty impacts:* None identified

*Gender Aspect:* None identified

*Social development:* The MDTF-2 assisted the Government to improve the budget planning to align more public spending to meet the socio-economic development objectives of the SEDP. The Trust Fund also contributed to increased transparency and accountability in public finance management and thus, contributing to better provision of public services.

(b) Institutional Change/Strengthening

By design and over the course of implementation, the project financed technical assistance and capacity building activities. After restructuring, ten departments of the MOF became both the implementing agencies and beneficiaries of MDTF2. Considerable learning and knowledge exchange were achieved through a mixture of TA, diagnostic assessments, training, and study tours. International good practices have been gained in critical areas of PFM, ranging from revenue mobilization, budgeting, and asset management to general state accounting, information and communication technology, in the setting whereby international experts and national consultants work side by side with staff of the responsible departments to deliver the planned outputs. The complexity and intensity of the MDTF-2 implementation also enhanced project management capacity of the PMU and beneficiary departments and thus the quality of the MOF in coordinating and managing donor-financed programs. Noteworthy was the MOF capacity to conduct the first PEFA self-assessment, draft the MTAP, develop technically sophisticated PFM legislations, and inform policies in the areas such as cash management, internal audit, asset management, IT security, taxation, and procurement.
(c) Other Unintended Outcomes and Impacts (positive or negative)
None

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops
N/A

4. Assessment of Risk to Development Outcome

Rating: Moderate

There exist some major risks to the sustainability of the PDO attained under the MDTF2. The success and sustainability of PFM reforms are dependent upon strategy, resources (in terms of both institutional capacity and financial resources), and political will. The MDTF2 (and the predecessor MDTF1) helped lay the ground for strengthening the upstream legal framework and establishing roadmaps to continue the implementation of reform activities. The World Bank and other development partners are strongly committed to supporting the government’s PFM reforms. The Bank is working jointly with other interested DPs to develop the new TA program. Capacity of various departments – through the process of learning by doing during the implementation of MDTF2 – has been significantly improved. As mentioned in section 2.5, the MOF is following on a number of MDTF-2 identified actions to further deepen the PFM reforms. However the overall public sector governance that would govern the direction and speed of PFM reforms remained weak, coordination between MOF and other MDAs challenged while internal and external oversight continued to be ineffective. The extent to which the FDS and MTAP could be further prioritized, better sequenced over the long haul, and effectively implemented would depend largely on sustained political commitment and momentum as well as the sense of ownership and motivation at MOF, sector ministries and provinces and implementing agencies at all levels. In addition, PFM is not isolated from the dynamics of the world’s economy. This was evidenced in the most recent global crisis when the MOF had to divert its attention from long-term strategic PFM reform actions to immediate stimulus packages on the one hand and ad-hoc revenue raising measures on the other. Given a number of challenges-- their likelihood and risk magnitude-- may not be completely seen and properly evaluated at this stage, the risk to development outcome is rated moderate.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: Moderately Satisfactory

The design was done in a highly participatory manner and consistent with ongoing then efforts among donors to directly align their support with the mainstreaming government’s strategies and plans. The design also adequately reflected lessons learned from the
previous TF operation with additional design features introduced. In addition, major risk factors and mitigations measures were considered and incorporated into the project design. A number of alternatives were considered in arriving at the chosen design. The project was consistent with the World Bank CPS and government priorities in the sector at the time.

While it was well justifiable to move quickly to process the MDTF-2 to provide continuous funding stream to support PFM reform following the closure of the MDTF-1, in hind sight, it may have made sense to spend a bit more time to specify and agree on some selected priority areas that the MDTF-2 could immediately support and also to work out a clear set of criterion for selecting projects/proposals to be supported by the MDTF-2. That could have saved some months in the initial implementation stage, spending on prioritization across all seven areas of SSD. This would limit the scope of the MDTF-2 to a reasonably manageable level.

(b) Quality of Supervision

Rating: Satisfactory

Since the beginning of MDTF2, the Bank had conducted full-team regular supervision missions to assess the implementation progress and the fund’s fiduciary aspects. Four supervision missions were conducted since the approval of the second implementation plans in June 2011. The fiduciary reviews were also duly carried out on a regular basis. The project implementation was however sluggish at the outset and by the time of the MTR in August 2011, various TAs under IP1 and IP2 did not even start while the clearance process was considered as lengthy. In this context, the MTR was conducted to review implementation progress, assess overall performance at mid-term, and agree on the ways forward to help achieve the MDTF2 PDO. The MTR findings and agreements led to the critical decisions that included the program restructuring, strengthening mechanism for policy dialogue between DPs, the Bank and MOF, simplification of the MDTF2 results matrix, and measures to improve project management (particularly the decision by the MOF to delegate the authority to implement project activities by responsible departments).

The team has prepared and archived five ISRs since the inception of the project in June 2010, October 2011, March 2013, October 2013, and December 2013. According to the last ISRs, it was projected that all the contract commitments would be fulfilled by the closing date of December 31, 2013. By the time of the last ISR, about 98 percent of the budget programmed under IP1 and IP2 were to be disbursed. The significant turnaround of the project implementation was partly attributed to joint efforts by the Bank team and the MOF counterparts. Following the MTR conclusions, the Bank enhanced quality of implementation support and supervision with more frequent and effective communication and engagement with the PMU and all responsible departments to provide technical support on terms of references or project proposals. The Bank team worked closely with the PMU to help screen and select projects to be financed under MDTF2 with more direct links to the PFM priorities and supported the PMU to simplify the results framework and monitoring indicators. The Bank field-based task team has mobilized technical expertise
from Washington-based staff as well as from staff located in the Bank office within the EAP region to support project implementation.

(c) Justification of Rating for Overall Bank Performance

**Rating: Moderately Satisfactory**

Given the two ratings, Moderately Satisfactory for the Bank performance in ensuring quality at entry and Satisfactory for quality of supervision, the rating for overall Bank performance is rated Moderately Satisfactory.

5.2 Borrower Performance

(a) Government Performance

**Rating: Satisfactory**

As already mentioned, the MDTF2 implementation did not go smoothly with slow implementation, delays in decision making, inadequate monitoring and weak reporting until the MTR. The MOF leadership acknowledged the candid MTR assessments and reiterated its strong commitment to ensure successful implementation. The management of MOF closely supervised the MDTF2 implementation through quarterly Steering Committee meetings, review and guidance of monthly project management monitoring reports. The strong leadership and effective steering drove more effective collaboration and coordination among MOF functional departments and strengthened project management. The Government’s financial contribution was adequately provided and substantial government staff time was invested into implementation of MDTF2.

(b) Implementing Agency or Agencies Performance

**Rating: Moderately Satisfactory**

MDTF2 started at slow pace. The finalization of the first IP took longer than expected (4 months after the Bank offered its comments) and this reflected in large part the coordination and procedural issues within the government. After the MTR, the PMU, with support from the Bank task team, developed a detailed M&E framework. The framework was particularly helpful for tracking progress against project milestones and was a tool for strategic management by the Steering Committee. After delegating the implementation of project-specific activities to functional departments, the PMU stepped up its management role as a facilitator, advisor, and supervisor. With better communication and frequent information exchange between the World Bank, the PMU, and responsible departments, the pace of project implementation had picked up and the quality of reporting was gradually improved with more timely and detailed information on individual project activities.

**Project Procurement:** Though experienced delays in the first half of project implementation period, the procurement activities in the second half of project timeline
progressed generally well. This achievement was especially commendable given the limited number of PMU staff and the heavy workload in coordinating different beneficiary departments for different project components. The quality of procurement management was acceptable to the Bank, though some flexibility had been adopted taking into account the nature of assignments under the Project where the pool of qualified candidates is relatively limited. Overall, the procurement performance of the Project was rated Moderately Satisfactory.

**Financial Management:** The Project, throughout its life cycle, had adequate financial management system in place that could provide, with reasonable assurance, accurate and timely information that the Grant’s proceeds were being used for the intended purposes. The budgeting, fund flows, financial management staffing, accounting and financial reporting, internal control systems and external audit, and maintenance of supporting documents at the Project’s implementing agency were generally adequate. There was also a noticeable improvement in financial management performance of the Project, where after experiencing moderately satisfactory financial management performance during the first three years, this was restored to a satisfactory level during the last two years of the project life.

Although financial management (FM) aspects were generally in compliance with Bank procedures, there were a couple of issues during implementation of the project such as (i) delays in expenditure verification; and (ii) delay in 2012 budget/implementation plan preparation and approval. These aspects of FM, however, were improved in the last two years of the project implementation.

**Monitoring and Evaluation:** The M&E was ineffective at the beginning of project implementation. Systematic reporting on outputs and outcomes was limited until the later years of the project implementation. After MTR, detailed M&E tables were developed, regularly updated, and kept consistent with the project procurement plans. PMU kept detailed records of project activities and was able to provide quick feedback whenever requested.

The performance of the PMU and the implementing agencies significantly improved during 2013, especially in the last six months and could have been rated Satisfactory. However, project delay and slow progress during the first two years of implementation leading to the 18 month extension gave the rating of overall implementing agencies performance Moderately Satisfactory.

(c) **Justification of Rating for Overall Borrower Performance**

**Rating:** Moderately Satisfactory.

With government performance rating of Satisfactory and IA performance of Moderately Satisfactory, the overall borrower performance is rated Moderately Satisfactory.
6. Lessons Learned

(i) **Mid-term project adjustment to ensure achievement of PDO.** For a complex, multidimensional project involving multiple implementing agencies like MDTF2, mid-term adjustments should not be regarded as weakness but necessity in project cycle management. MDTF2 was restructured after about two and half years of slow implementation so as to fit it into the new reality and to keep it running at difficult times. The task team, from the design stage, already envisioned a flexible mechanism in adjusting the scope and result framework over the course of implementation. The restructuring helped sharpen the project’s focus and better articulated its role in the Government overall PFM reforms. Appropriate restructuring, as shown in this case of MDTF, attributed to accelerating the political momentum for reforms on the MOF side that in turn led to successful completion of the project by the end of 2013.

(ii) **Effective delegation of role, responsibility and accountability in implementation of specific project components.** Given quite broad and ambitious project structure spanning across ten different departments of the MOF reporting to different vice ministers, limited resources and capacity of PMU (both in terms of staffing and a diverse set of required technical expertise), the decision to decentralize implementation authority to intended beneficiaries proved to be a good strategy to speed up implementation. This innovative approach to project management provided tangible incentives and accountability for the beneficiaries to deliver. It is worth noting, however, that the delegation by itself could not guarantee success. Rather, it had to be conducted in tandem with (1) appropriate institutional arrangement whereby the PMU retained its role as coordinator, facilitator, and supervisor; and (2) enhanced frequency and efficacy of communication among the Bank task team, PMU, and implementing agencies.

(iii) **Maintaining frequent, effective communication between the Bank, DPs and the government throughout the implementation phase.** The complexity of resource pooling in MDTF with multiple intended beneficiaries dictates that the success of implementation be underpinned by effective communication among all concerned parties. Continued communication and consistent support by the Bank team and management were instrumental for MDTF2 to undergo effective and timely restructuring and to achieve its PDOs despite mounting challenges from the time of design through completion.

(iv) **Proactive and effective support by the World Bank task team.** Facing operational challenges, the Bank team proactively provided direct assistance and guidance to the PMU and implementing agencies. The Bank support in various areas of operation, helping the clients to prioritize and screen their overextended list of proposals while there was an absence of clear general guidelines on MDTF 2 prioritization. Support by the Bank task team management was instrumental to cut down the lengthy clearance processes and enhance the quality of procurement through direct TA to develop quality Terms of Reference and share the pool of
prospective international consultants. During the second half of 2013, given that the MDTF2 was entering its critical final stage of implementation, the Bank task team proactively demanded for MOF’s better monitoring to ensure the project’s timely completion and therefore had requested the PMU to provide frequent updates on progress. The Bank team also proactively organized multiple TAs in various forms of training, knowledge sharing and dissemination in complex PFM areas such as management and monitoring of SOE financial performance, state assets management, legal framework for internal audit, taxation, and procurement. These TAs were organized in parallel to MDTF2 and such parallel mechanism proved highly valuable for the overall achievement of the project outcome.

(v) Trade-off between flexibility and strategic focus of the program. As discussed earlier in the report, the high degree of flexibility in the project original design, intended to allow the project to respond quickly to emerging needs of the PFM reform and adjust for changes, had caused delay in finalizing the project plan of activities in the initial phase. As a result, the coverage of the MDTF-2 activities in the IP1 was spreading into many different areas, including those that were outside the core PFM functions. For IP2, the activities were more prioritized and selective, thanks to the adoption of clear screening criteria and guidance provided by the CTA and the Bank team. For future TA operation, it would be desirable to define at the design stage a few selected key areas of strategic focus for support while keeping a small part of the program open to respond to newly identified priorities and adjust for changes in the pace of on-going reforms.

7. Comments on Issues Raised by Grantee/Implementing Agencies/Donors

(a) Grantee/Implementing agencies

The PMU provided detailed comments on the draft ICR report (see Annex 7). Comments concerned mainly two aspects of the draft ICRR: (i) the facts related to actual project outputs under several intermediate indicators and (ii) the Bank’s assessment on factors affecting implementation and the performance of the Borrower. The ICR team has revised the ICRR to correct the actual outputs and their dates of delivery. With regard to the assessed lack of the capacity of MOF to coordinate a large and complete TA project such as the MDTF2, the PMU felt that the MOF had set up a separate Steering Committee to be in charge of coordinating all TA activities funded by the MDTF2 and this Committee had fulfilled its tasks. On the other hand, the PMU acknowledged that lack of coordination of related stakeholders in reviewing and approving IPs, especially IP2 was contributing to delayed implementation. There was disagreement with the draft ICR report’s assessments on some minor points regarding M&E utilization, project performance at MTR, and efficiency. Since these assessments were consistent with those of the MTR and Implementation Support Missions, the ICR team decided to maintain its assessments and would communicate its views to the PMU.

(b) Co-financiers/Donors
The draft ICR report was shared with all co-financiers, comments and feedbacks obtained from SECO and EC (detailed responses of SECO and EC can be found in Annex 8). The Donors felt that the draft ICR report documented well the project evolution throughout the project cycle, adequately presenting key moments, turn-around, and challenges of the project implementation process. Donors suggested that more nuanced ratings might be needed to provide assessment to various aspects of the project: relevance of objective, design and implementation. Since the ICR has to follow the Bank guidelines on ICR preparation methodology and ratings, the ICR team found it difficult to accommodate this suggestion. The main thrust of Donors comments concerned the lessons that one should draw on the design, project approach (to support building blocks versus implementing a full reform cycle), strategic focus and administration modality adopted by the Donors, WB and the Government for the MDTF2. The ICR team felt that most of the issues raised were valid, and to a large extent, were discussed in various sections of the report. Nevertheless, the ICR team has further strengthened to ICR report where appropriate to address the comments, including adding a lesson learned on the trade-off between flexibility (to accommodate emerging needs and adjust for changes) and strategic focus of the program.

(e) Other partners and stakeholders
(e.g. NGOs/private sector/civil society)

N/A
Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

<table>
<thead>
<tr>
<th>Components</th>
<th>Appraisal Estimate (USD millions)</th>
<th>Actual/Latest Estimate (USD millions)</th>
<th>Percentage of Appraisal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. State Budget Expenditure Management Reform</td>
<td>0.85</td>
<td>0.87</td>
<td>102%</td>
</tr>
<tr>
<td>2. State Budget Revenue Management Reform</td>
<td>1.53</td>
<td>1.11</td>
<td>73%</td>
</tr>
<tr>
<td>3. Government Debt Management Reform</td>
<td>0.15</td>
<td>0.11</td>
<td>78%</td>
</tr>
<tr>
<td>4. Financial Market</td>
<td>0.17</td>
<td>0.15</td>
<td>89%</td>
</tr>
<tr>
<td>5. Public Asset Management Reform</td>
<td>0.39</td>
<td>0.58</td>
<td>148%</td>
</tr>
<tr>
<td>6. Price Management Reform</td>
<td>0.03</td>
<td>0.03</td>
<td>100%</td>
</tr>
<tr>
<td>7. Corporate Finance Management</td>
<td>0.40</td>
<td>0.38</td>
<td>94%</td>
</tr>
<tr>
<td>8. Support for whole of financial sector</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.1 Legal Department</td>
<td>0.46</td>
<td>0.46</td>
<td>99%</td>
</tr>
<tr>
<td>8.2 Implementation of Financial Development Strategy 2011-2020</td>
<td>0.17</td>
<td>0.38</td>
<td>220%</td>
</tr>
<tr>
<td>8.3 Formulation of Database Catering for Fiscal Analysis &amp; Forecast and Financial Policy Making &amp; Strategy Development 2011-2020</td>
<td>0.11</td>
<td>0.14</td>
<td>121%</td>
</tr>
<tr>
<td>8.4 Department of Organization &amp; Personnel</td>
<td>0.05</td>
<td>0.05</td>
<td>100%</td>
</tr>
<tr>
<td>8.5 Development of Feasibility Study Report for Finance Sector Information Safety &amp; Security Project</td>
<td>0.42</td>
<td>0.24</td>
<td>58%</td>
</tr>
<tr>
<td>9. Support for implementation of all components</td>
<td>0.77</td>
<td>0.61</td>
<td>78%</td>
</tr>
<tr>
<td>10. Project Operational Support</td>
<td>0.26</td>
<td>0.28</td>
<td>107%</td>
</tr>
<tr>
<td><strong>Total Project cost</strong></td>
<td><strong>5.78</strong></td>
<td><strong>5.39</strong></td>
<td><strong>93%</strong></td>
</tr>
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</table>

(b) Financing

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>Type of Co-financing</th>
<th>Appraisal Estimate (USD millions)</th>
<th>Actual/Latest Estimate (USD millions)</th>
<th>Percentage of Appraisal</th>
</tr>
</thead>
<tbody>
<tr>
<td>PFM MDTF-2</td>
<td>RETF</td>
<td>7.19</td>
<td>5.1</td>
<td>71%</td>
</tr>
<tr>
<td>Government of Vietnam</td>
<td>Counterpart Fund</td>
<td>0.37</td>
<td>0.28</td>
<td>76%</td>
</tr>
</tbody>
</table>
Annex 2. Outputs by Component

1. State Budget Expenditure Management Reform

- **Public Expenditure and Financial Accountability (PEFA) Review:** MOF completed the Report on Pilot PEFA Assessment. Upon approval by the Government and MOF leaders, the report was publicly disseminated through a dissemination workshop held in Nha Trang City on 4-5/7/2013.

- **State Accounting General (SAG):** The State Treasury completed developing the model, roadmap and solutions to implement SGA function.

- **Government Cash Management Reform:** Under IP1, MDTF2 supported the MOF to develop and promulgate the processes on inter-banking e-payment with SBV, and on bilateral e-payment with commercial banks; establish the infrastructure to ensure safety and security in payments of the State Treasury, which formed the foundation for the development and completion of the ST’s TSA system. On this basis, MOF issued its Circular on management of cash revenue and expenditure through ST system (Circular 164/2011/TT-BTC dated 17/11/2011).

  Under IP2, the MOF (ST) completed developing the cash flow forecast system and the cash fund control and risk management system. These outputs contributed to the development of the Circular guiding the cash flow forecast processes, as well as the Decree on cash fund management, including contents related to cash fund risk management. Draft Circular and Decree were developed, but their issuance would be contingent on and made after the adoption of Revised Budget Law.

- **Public Sector Accounting Standards (PSASs):** Completed development of the Implementation Roadmap for Application of PSASs in Vietnam. Accordingly, the development of standards is split into phases, and under each phase a number of standards will be issued. Specifically, it is planned that, during 2013-2015, Vietnam will update some 15 out of 32 PSASs; during 2016-2017, Vietnam will update 8 PSASs; and in 2018 it will update the remaining 9 PSASs. At present MDTF2 has supported to draft 5/15 first PSAPs.

  In addition, under MDTF2, MOF has gained better understanding of the details of IPSAS, and analyzed the gap between the existing regulations of Vietnam and IPSAS. The differences require revision of the regulations and financial and accounting reporting formats.

  MOF has also clearly determined the objects or who will be to apply the PSASs. Accordingly, the administrative and public service delivery units will apply the accrual based accounting standards while the revenue-creating and spending units will for the first hand apply the cash based accounting standards and later on these entities will move to apply the accrual based accounting standards.

  On that basis, it has clearly identified who will be responsible to prepare and aggregate the Government reports. Also, the format of whole of Government reports, and a set of general reports for the whole nation have been determined to
improve the accuracy and integrity of financial reporting as well as to be aligned with international accounting standards.

- **VAS (corporate):** Updating of VAS was split into two stages, with 13 standards for each stage. The original objective of this sub-project was to review and update selected accounting standards. To date, 13/26 corporate accounting standards were reviewed, in which, 8 out of them have been submitted for the issuance by the MOF, and 5/13 are under the final review prior to submitting to the MOF for issuance.

2. **State Budget Revenue Management Reform**

2.1 **Tax Administration**

MDTF2 provided support for the MOF (GDT) to develop the legal documents to guide the implementation of the Law on Amendment and Supplementation of a Number of Articles of the Law on Tax Administration, namely:

- Decree 83/2013/NĐ-CP dated 22/7/2013 of the Government regarding detailed guidelines for implementation of a number of articles of the Law on Tax Administration and the Law on Amendment of a number of articles of the Law on Tax Administration;
- Circular providing implementing guidelines for a number of articles of the Law on Tax Administration and the Law on Amendment and Supplementation of a number of articles of the Law on Tax Administration;
- Decree 129/2013/NĐ-CP dated 16/10/2013 of the Government regarding regulation on sanctions of administrative violations to taxation and coercive enforcement of administrative decisions on taxation;
- Circular 166/2013/TT-BTC dated 15/11/2013 of Finance Minister regarding detailed guidelines on taxation administrative violation sanctions; and
- Circular 201/2013/TT-BTC dated 20/12/2013 of MOF regarding guidelines on application of APA in tax administration.

2.2 **Customs Administration**

MDTF2 intended to provide support for implementation of GDC’s Proposal on Development of National Single Window; however, MOF’s leaders decided not to use the funds from MDTF2 to implement this proposal but a domestic resource instead.

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2 In August 2013, the Government/MOF implemented the first phase of “Pilot National Customs Single Window Mechanism”: the pilot covered the relevant units under MoTI, MOF (GDC) and MOT. Implementation of a second phase is planned to start from June 2014 to cover some other ministries, including MoH, MARD, MONRE (this was originally approved for support by MDTF2) to realize the Pilot NSW Roadmap under PM Decision 48/2011/QD-TTg of 31/8/2011 and Inter-agency Circular 84/2013/TTLT-BTC-BCT-BGTVT of 25/6/2013.
2.3 Implementation of Tax Policy System Reform Strategy 2020

MDTF2 has provided support for MOF (TPD) to implement its Proposal on “Implementation of Tax Policy System Reform Strategy 2020”. Specific outputs are, as follows:

- Support for development of the draft Tax Law on Buildings/Housing and Land;
- Support for development of the Law on Natural Resources and the implementing guidelines;
- Support for development of the draft Tax Law on Environmental Protection;
- Development of the Tax Law on Utilization of Non-agricultural Land and the implementing guidelines;
- Reviewed and evaluated some 12 tax policy areas, including: revenues from land, including collection of fees in relation to land usage, land lease, water surface lease and other sources; tax policy reform strategy on natural resources; tax policy reform strategy on utilization of agricultural and non-agricultural land; tax policy reform strategy on CIT and PIT; tax policy reform strategy on environmental protection; reform strategy regarding policy on fees and charges; tax policy reform strategy on VAT; tax policy reform strategy on Special Consumption Tax (SCT); tax policy reform strategy on trade tax (import and export taxes); revenue from natural resource exploitation and use; and review for improvement of policy on property tax.

Based on the outputs of those reviews, the Government submitted to and the National Assembly adopted accordingly the following laws: the Law on Amendment and Supplementation of a Number of Articles of the Law on VAT (Law No.31/2013/QH13); the Law on Amendment and Supplementation of a Number of Articles of the Law on PIT dated 22/11/2012; the Law on Amendment and Supplementation of a Number of Articles of the Law on CIT (Law No.32/2013/QH13); the Revised Law on Land dated 29/11/2013; the Resolution No.712/2013/UBTVQH13 regarding promulgation of new tax rates on natural resource tax (supersede the Resolution No.928/2010/UBTVQH12). The Government also issued: the Decree No.69/2012/NĐ-CP regarding revision of the Decree No.67/2011/NĐ-CP regarding guidelines for implementation of a number of articles of the Tax Law on Environmental Protection.

Other tax policies are still being finalized and will follow the agenda registered with the NA, specifically: the draft Law on Amendment and Supplementation of a Number of Articles of the Law on SCT will be submitted to NA for its issuance in 2014; the Law on Fees and Charges (2015); the draft Law on Revision of the Law on Import and Export Tax (2015); the Tax Law on Real-estate (2018).

3. Government Debt Management Reform

- MDTF2 helped to develop the Circular No.56/2011/TT-BTC dated 29/4/2011 to provide guidance on monitoring indicators for public and foreign debt.
• Public Debt Bulletins thereafter have been issued twice a year to include information on domestic debt. The Debt Management and Financial Analysis System (DMFAS), which initially recorded only government external public and publicly guaranteed debt, was expanded to record domestic debt also.

• MDTF2 helped to finance an international conference on debt management. The conference provided inputs for the development of a Prime Ministerial Decision No 958/QD-TTg dated 27/7/2012 regarding granting approval to the National Public and Foreign Debt Management Strategy 2011-2020 with Vision to 2030 in order to strengthen the institutional framework for debt management and establish prudential fiscal targets and thresholds for medium-term sustainability. The Decision sets out a long-term strategy (2011-2020) for public debt management, consolidating for the first time external, domestic, sub-national, off-budget, and SOE debt. It adopted following policies: (i) medium to long-term deficit targets and borrowing limits; (ii) changing the composition of the debt portfolio so as to increase the share of domestic debt; (iii) medium to long-term thresholds for public debt stock and debt servicing capability.

4. Financial Markets

Developed and adopted roadmap for the development of Vietnam’s bond markets to 2020: by end of 2012, the development of draft Bond Market Development Roadmap to 2020 was completed and subsequently MOF approved the Roadmap through its Decision 261/QD-BTC dated 01/2/2013. The roadmap focused first on the government bond market, including method of primary issuance and secondary transactions, buy-back, development of market service infrastructure, and development of institutional investor system.

Under this component, MDTF2 also financed the Insurance Management and Supervisory Department to implement its Proposal on “Subsidy/Support Policy from State Budget toward Agricultural Insurance”. The proposal aimed at ensuring the necessary conditions for the formation and development of the insurance market of this kind, moving forward to developing a modern agriculture, implementing the program on agricultural and rural industrialization and ensuring the livelihood of farmers. Outputs included the following:

• Research report regarding other countries’ regulations on subsidy/support policies toward agricultural insurance;

• Detailed rules and plan for pilot implementation of agricultural insurance in Vietnam during 2011-2013;

• Draft support policies from State budget for agricultural insurance, particularly the Government’s Decree on Support for Agricultural Insurance.

After implementing the Proposal, the MOF (DIMS) has developed a system of legal documents providing guidelines for the implementation of the PM Decision 315/QD-TTg regarding pilot implementation of agricultural insurance for 2011-2013. This serves as the legal basis for the review of agricultural insurance pilot implementation nationwide after its completion. This also helps to ensure that the agricultural insurance scheme in
Vietnam be implemented with appropriate roadmap and effectively, and enhanced the role of agricultural insurance. The implementation of support policy from state budget for agricultural insurance is bringing about the effectiveness both in terms of insurance management, and of ensuring agricultural production and rural development and improvement of the people’s lives.

5. Public Asset Management Reform

Roadway transport infrastructural assets: MDTF2 supported development and promulgation of PM’s Decree No. 10/2013/ND-CP dated 11/1/2013 regarding management, utilization and exploitation of roadway transport infrastructural assets; it also supported development and issuance of MOF’s Circular 178/2013/TT-BTC regarding provision of detailed regulations and guidelines for implementation of a number of articles of this Decree.

Public Asset Management Modernization: MDTF2 supported development of the State asset data review and standardization procedures, which were then approved by the MOF through its Decision No.1505 dated 31/10/2012. In addition, a total of 5 ministries and 45 provinces were provided with training on the new procedures for review and standardization of data on state assets. MDTF2 supported piloting the new procedures in 2 ministries and 15 provinces.

Centralized procurement of public assets: evaluated the current situation on centralized purchase of public assets (including the relevant legal documents); and recommended the contents and direction, and improved the legal framework on centralized purchase of public assets.

6. Price Control Management Reform

MDTF2 financed the MOF (Price Management Department) to implement a number of activities regarding improvement of the institutions and the system of legal documents related to price management and capacity strengthening to cater for the transformation process from a centralized planning to a state regulated market economy and the international economic integration process. Specific outputs were, as follows:

- Evaluated the current situation and capacity of valuation in Vietnam;
- Developed the draft roadmap for development of price valuation system in Vietnam;
- Transferred some advanced valuation techniques and methods that are being applied in the region and suitable with the conditions of Vietnam;
- Developed a specialized document on valuation consisting of six themes covering basic and necessary contents for training and capacity strengthening of valuation. The document has been used as a standard training material nationwide for training as well as granting of valuator/appraiser certificate;
- Transferred some advanced valuation techniques and methods that are being applied in the region and suitable with the conditions of Vietnam (3 training courses
on valuation were held with the participation of officers in charge of price management at both central and local levels).

The support provided by MDTF2 had a positive impact on the establishment of infrastructure for asset valuation in Vietnam in the context of the market economy, thus, creating a foundation for the GoV to come up with strategies and action plans to modernize and develop valuation capacities in Vietnam. In addition, it also helped the team of MOF officials responsible for price management policy making to have access to advanced valuation methods based on the market rules to meet the requirements on reform of price management and valuation in Vietnam.

7. Corporate Finance Management

MDTF2 financed the MOF (CFD) to strengthen SOEs’ corporate finance management, focusing on reforming and improving the institutions and policies, enhancing the corporate finance management capacity for SOE sector, increasing the transparency of SOE financial performance through disclosure of SOE financial information. Specific outputs are, as follows:

- The criteria/indicators for oversight of SOE were developed and piloted at selected State-owned Economic Groups/General Corporations, namely: Vietnam Railway, State Capital Investment Corporation, and Vietnam National Chemical Group.

- Legal documents regarding oversight and management of corporate finance were issued, namely: Decree 61/2013/ND-CP regarding promulgation of regulation on financial supervision, financial performance evaluation and disclosure of financial information of the enterprises owned by the State and of the enterprises with State capital; Circular No. 158/2013/TT-BTC dated 13/11/2013 and Circular No.17/2013/TT-BTC dated 20/11/2013 of MOF to guide the implementation of Decree 61/2013/ND-CP dated 20/11/2013.

- Relevant recommendations, contents and lessons/experience drawn from the international best practices will be considered and incorporated in the draft Law on Management and Utilization of State Capital Invested in Enterprises, which is planned to be submitted to the NA in 2014.

MDTF2’s support has positively contributed to the successful implementation of the finance sector’s overall action plan under which one of the task and solution related to SOE corporate finance management is “to dramatically renovate the corporate finance management mechanism in order to separate the state finance from the corporate finance, ensuring the right regarding freedom of doing business, self-reliance and accountability of the enterprises in accordance with the market mechanism”. In particular, MDTF2 has supported the MOF to do research and improve the monitoring mechanism for 3 designated SOE groups including Vietnam Railway, State Capital Investment Corporation, and Vietnam National Chemical Group in particular and for the SOEs in general. During the implementation of the proposal, the international and national consultants have transferred specific experience, knowledge and best practices to the MOF (CFD) regarding policy making on how to manage the State capital, as well as to analyze, monitor and evaluate SOE performance, recommending implementation
solutions to facilitate SOE reform, improving efficiency of corporate governance, strengthening internal supervision, making full use of available resources and creating greater competition.

8. Cross-cutting sector the proposals

8.1. Evaluation of implementation of PFM reform through monitoring and evaluation of situation on legal implementation in financial sector

MDTF2 financed the MOF (Department of Legal Affairs) to implement its Proposal on “Evaluation on implementation of PFM reform through monitoring and evaluation of situation on legal implementation in financial sector”. Specific outputs were, as follows:

- Developed the methodology, criteria and processes for evaluation of legal implementation in PFM;
- Carried out pilot evaluation of PMF legislation implementation situation in the fields of: (i) state budget management; (ii) corporate finance; (iii) tax administration; and (iv) social security (4 reports were produced);
- The Regulation (on evaluation of legislation implementation) was approved by the Finance Minister through Decision 2247/QĐ-BTC dated 06/9/2013, which serves as a legal basis for carrying out evaluation of legislation implementation in PFM across the country.

With the support of MDTF2, the MOF completed development of the legal framework for monitoring of implementation of legislations in the financial sector, and improved the legal basis, standardization, synchronization and consistency in monitoring and evaluation of the law implementation in the PFM sector in particular and of the law implementation in general. The outputs of this activity played an important role in guiding and developing implementation plan of the related activities in the coming years. At the same time, the capacity for the MOF staff has been enhanced in terms of the experience, knowledge, method and approach shared by the international and national consultants, thus contributing to improvement in the quality of monitoring and evaluation of the law implementation in the future.

8.2. Implementation of FDS2011-2020

With the support of MDTF2, the MOF completed developing its Action Program for Implementation of FDS2011-20. This was approved by the Finance Minister through his Decision 224/QĐ-BTC dated 30/1/2013 regarding granting approval to the FDS2011-20’ Action Program to implement the set objectives and solutions under the FDS2011-20.

The Medium-term Action Plan 2014-2016 (MTAP2014-16) and its M&E Framework have been developed and then approved by the Finance Minister through his Decision 304/QĐ-BTC dated 17/2/2014. MTAP2014-16 concretizes specific objectives of FDS Action Plan through identification of the priority projects and tasks of the finance sector for the 2014-2016 period in a prioritized and sequenced manner and with the specific outputs and activities and the expected resources and risks over the course of implementation.
**8.3. Formulation of database catering for the fiscal analysis and forecast and the financial policy and strategy planning 2011-2020**

- Completed developing a macroeconomic-financial database based on the National Statistic Indicator System under PM Decision 43/2010/QĐ-TTg dated 2/6/2010. This is a web-based database which covers 10 major groups of indicators; 120 tables (2,400 indicators); 64 disaggregation (1,072 indicators); 4,150 import data files; 97 import samples which are searched in monthly, quarterly or annually frequency for data series from 2010 – 2012 (if any).

- 3 staff (two from NIF and 1 from DFIS) participated in 2 training courses, namely: “Time Series Econometrics using E-views” and “Cross Sectional & Panel Data using Strata” held in Singapore in 4/2013.

- At present, the database is being internally used within MOF, and the NIF has coordinated with DFIS (responsible for receiving and operating the database) to act as focal point to consolidate the input data in order for further updating of the database for utilization by the whole sector and for making it to the public.

**8.4. Proposal on “Strengthening of HRM for MOF”**

MDTF2 financed the MOF (DPO) to implement its Proposal on “Strengthening of HRM for MOF, which consists of 2 main activities, namely: (i) Development of a job description manual for civil servants working at the MOF HQ; and (ii) Improvement of MOF’s staff recruitment processes. Specific outputs are, as follows:

- A job title and description manual for officers working at MOF were developed and printed out for usage in 2011.

- MOF staff recruitment regulation and process were developed.

The support of MDTF2 has contributed to enhance human resource management and development, creating important prerequisites for better arrangement and utilization of staff, improving the quality of staff recruitment. The manual helped the MOF to review, restructure and strengthen the functions and tasks in order to avoid overlapping and duplication of tasks assigned to the civil servants in MOF, thus improving the efficiency and performance of civil service. In addition, the manual also served as a basis for the MOF to develop a “Project on staff structure according to job positions” that the Government has requested the ministries to implement.

**8.5. Proposal on “Development of Feasibility Study Report for the Project on Finance Sector Information Safety and Security to support PFM Reform and Finance Sector Modernization”**

MDTF2 financed consultancy services to assist the MOF to evaluate the status of IT application and information safety and security of MOF and its subordinate units in accordance with internationally recognized standards (COBIT, ISO 2700), and from which to make recommendations and propose solutions for improvement, and create prerequisites for the MOF to prepare for the establishment of the Project on Finance
Sector Information Safety and Security to 2015, with Vision to 2020. Specific outputs were, as follows:

- Report on security review of TABMIS system;
- Report on evaluation of current status of financial sector information safety and security and proposed roadmap to implement the financial sector information safety and security to 2020;
- Proposed policies on financial sector information safety and security;
- Feasibility Study Report for the project on financial sector information safety and security.

The results of the proposal achieved its objective to improve the quality of finance sector information safety and security, contributing to successful implementation of the IT system in the finance sector, well catering for public finance management and public administrative reform and modernization of the finance sector. Such results have a positive impact, which creates standardization, synchronization and consistency in managing and ensuring the finance sector information safety and security, as well as plays an important role in the orientation and development of implementation plan of the activities related to finance sector information safety and security. The outputs of this activity will be used in 2014 and 2015 to serve as a foundation and orientation for information safety and security related works in the finance sector till 2020.

9. Project Implementation Support

The activities under this component were performed by the PMU, including coordination of project implementation, planning, procurement and bidding, financial management, project monitoring and evaluation, project extension, reporting, etc... They all have contributed to the successful implementation of the MDTF2.

- Coordination of project tasks, from planning, implementation, monitoring and evaluation through reporting between Beneficiary Departments (BDs), PMU and WB has been increasingly strengthened and well implemented.
- Completed developing the implementation plans, including IP1, IP2, IP1 Procurement Plan, IP2 Procurement Plan, Annual Plan and Project Closing Plan.
- Based on the long list of proposals for support proposed by BDs and using the specific selection criteria, the MOF and WB/Donors have selected for implementation of 15 proposals under IP1 and another 14 proposals under IP2. In addition, during the course of project implementation, some additional activities (under IP2) were approved for implementation in order to increase the Project’s impact.
- Project procurement and contract management were fully complied with the required processes and procedures of both the GoV and those of the WB/Donors. During the project implementation lifetime, i.e. 2009-2013, PMU carried out 131 procurement/bidding packages, signed 129 contracts, with total value of 2,751,734 USD, monitored their execution and conducted final acceptance and liquidation of all signed contracts.
Financial management and accounting were fully complied with all processes and procedures of both the Government and the Donors. Procedures relating to disbursement, accounting, regular reporting of disbursement for both the Government and the Donors, and tax and auditing obligation were well implemented.

Extension of project was done in a timely manner, thus providing sufficient time to effectively complete all project activities and contributing to the success of the project.

The PMU carried out monitoring project implementation on a monthly and quarterly basis; updated the project implementation progress on a monthly basis (for 120 activities under IP1 and 210 activities under IP2) and organized monthly review meetings to urge, remind and work out the solutions to address the difficulties faced by BDs. These were very important effort to help accelerating the implementation progress of project activities.

Reports were prepared and sent to relevant parties on a quarterly, semi-annually and annually basis following the formats and within the deadline required by both the Government and the WB/Donors. In addition, MDTF2 PMU also prepared monthly progress reports and sent them to MOF’s leaders and PSC’s members to keep them updated about the project implementation and disbursement status and at the same time to seek timely guidance from them.

Annex 3. Economic and Financial Analysis

N/A
Annex 4. Grant Preparation and Implementation Support/Supervision Processes

(a) Task Team members

<table>
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<th>Title</th>
<th>Unit</th>
<th>Responsibility/ Specialty</th>
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<tbody>
<tr>
<td>Minh Van Nguyen</td>
<td>Senior Economist (TTL until Oct. 2008)</td>
<td>EASPV</td>
<td>Task Team Leader</td>
</tr>
<tr>
<td>Quyen Hoang Vu</td>
<td>Economist (TTL from Oct. 2008)</td>
<td>EASPV</td>
<td>Task Team Leader</td>
</tr>
<tr>
<td>Hisham Abdo Kahin</td>
<td>Senior Country Lawyer</td>
<td>LEGES</td>
<td>Counsel</td>
</tr>
<tr>
<td>Cung Van Pham</td>
<td>Financial Management Specialist</td>
<td>EASFM</td>
<td>Financial Mgt.</td>
</tr>
<tr>
<td>Nguyen Chien Thang</td>
<td>Senior Procurement Specialist</td>
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**Supervision/ICR**

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<tr>
<td>Quyen Hoang Vu</td>
<td>Economist (TTL from Oct. 2008 to Sept. 2011)</td>
<td>EASPV</td>
<td>Task Team Leader</td>
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<tr>
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<td>Public Sector Mgt.</td>
</tr>
<tr>
<td>Quynh Xuan Thi Phan</td>
<td>Financial Officer</td>
<td>GEFOB</td>
<td>Financial Mgt.</td>
</tr>
<tr>
<td>Tuyet Thi Phung</td>
<td>Program Assistant</td>
<td>EACVF</td>
<td>Task Assistant</td>
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<tr>
<td>Habih Rab</td>
<td>Senior Economist (TTL from Sept. 2011 until July 1, 2013)</td>
<td>EASPV</td>
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<td>Minh Van Nguyen</td>
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<tr>
<td>Phuong Anh Nguyen</td>
<td>Research Analyst</td>
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<td>Hanh Thi Huu Nguyen</td>
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<td>Khanh Linh Thi Le</td>
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<tr>
<td>Deepak Mishra</td>
<td>Lead Economist</td>
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<td>Sandeep Mahajan</td>
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<td>Vu Thi Anh Linh</td>
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<tr>
<td>Hisham Abdo Kahin</td>
<td>Senior Country Lawyer</td>
<td>LEGES</td>
<td>Counsel</td>
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(b) Staff Time and Cost

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Annex 5. Beneficiary Survey Results
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Annex 6. Stakeholder Workshop Report and Results
N/A
Annex 7. Summary of Grantee's ICR and/or Comments on Draft ICR

MOF Summary ICR

1. Background

The Multi-donor Trust Fund for Support of the Public Finance Management Modernization (MDTF) has two phases. Phase 1 was implemented in 2004 and completed in 2007 (MDTF1). To follow up the achievements, maintain the success and increase the sustainability made under MDTF1, a second phase of MDTF (referred to as MDTF2 Project) has been established, which is co-financed by the governments of Canada, Denmark, EC, Netherlands, Switzerland and Australia. MDTF2 was approved by the Prime Minister on May 5, 2008, and the project implementation started in 2009 and was initially expected to close by June 30, 2012, but then was extended to December 31, 2013.

The overall objective of MDTF2 is to support Vietnam in strengthening its capacity to: (i) increase coordination and transparency in PFM; (ii) improve revenue mobilization; and (iii) effectively and efficiently manage public revenue and expenditure (according to the amendment to the Financial Agreement of June 28, 2012).

Project scope is to provide technical assistance (consultancy service), organize workshops, training and survey to enhance MOF capacity in (i) developing a financial sector strategic plan; (ii) preparing and implementing PFM policies and processes regarding prioritized areas in PFM.

In accordance with the initial Financial Agreement (TF094240) between WB and SBV on June 2, 2009, the committed amount of grant for the project was USD 5,120,000. Later on, at the Amended Financial Agreement of January 6, 2011, the grant committed was increased to USD 7,188,320. However, due to global economic and financial crisis, the Amended Financial Agreement of June 28, 2012, has provided a disbursement principle that the Project can disburse more than the amount contributed by donors to WB (i.e. USD 5,324,761) to implement the approved Implementation Plan 1 (IP1) and Implementation Plan 1 (IP2) by December 31, 2013.

2. Technical Assistance

Implementation of the project objectives: After four years of project implementation, all the expected outputs specified in the Project Results Framework have been achieved by MDTF2 Project. These important outputs contributed to the achievement of overall development objectives that are “to strengthen capacity for increased coordination and transparency in PFM; improved revenue mobilization; and effective and efficient management of public revenue and expenditure”.

Intermediate Outcome 1: Increase coordination and transparency across the national PFM system through a clear reform strategy, greater disclosure, improved oversight capacity, more secure IT systems, and compliance with PFM legislation.
Output 1.1: Complete the Public Expenditure and Financial Accountability (PEFA) Review: With the support of MDTF2, the MOF completed the PEFA Report. The report has been approved by the Government and then made public through a dissemination workshop of July 4-5, 2013 at Nha Trang. The output of this activity is considered as an important achievement of the Project. Performance indicators in the PEFA Report have informed the development of PFM reform activities and served as the baseline data for the M&E system under the medium term action plan 2014- 2016 (MTAP 2014-16) of the financial sector.

Output 1.2: Action Plan for implementation of FSDS (2011-2020) is approved by the MOF and the M&E Framework of FDS is fully developed: The MOF has completed developing its Action Plan for implementation of Financial Sector Development Strategy (FSDS) 2011-20, accordingly, the action plan was approved by the Finance Minister on January 30, 2013, through the Decision 224/QD-BTC approving the Action Plan for implementation of FSDS 2011-20 in order to realize the objectives and solutions/measures specified in the FSDS 2011-20.

The Medium-term Action Plan 2014-2016 (MTAP 2014-16) has been finalized and then approved by the Finance Minister through his Decision 304/QD-BTC dated February 17, 2014. MTAP 2014-16 is designed to detail and elaborate objectives of the Action Plan by identifying focal projects and tasks of the financial sector to better prioritize and coordinate the reforms across the area for 2014-2016 period, with specific activities, expected outputs, required implementation resources and potential risks that may arise over the course of its implementation. MTAP 2014-16 also include a M&E Framework, indicators and reporting format to monitor the performance of PFM reforms.

Output 1.3: Adopt regulations on information disclosure of public debts and government guaranteed debts: With support of the project, the MOF developed and issued Circular 56/2011/TT-BTC dated April 29, 2011, providing guidance on monitoring indicators for public and foreign debt. The government, thereafter, planned to expand the scope of its twice yearly Public Debt Bulletins to include information on domestic debt. The Debt Management and Financial Analysis System (DMFAS), which initially recorded only public debts and government guaranteed debts, was expanded to domestic debts.

The MOF also prepared Decision 958/QD-TTg, which was promulgated by the Prime Minister by July 27, 2012, approving the National Public and External Debt Strategy 2011-2020 with vision to 2030 to strengthen the institutional framework for debt management and establish prudential fiscal targets and thresholds for medium term sustainability.

Output 1.4: Develop and adopt indicators and monitoring system to oversight SOE’s financial performance: Support from MDTF2 has either a direct or indirect impact on the formulation of Decree 61/2013/ND-CP stipulating regulations on financial supervision, financial performance evaluation and disclosure of financial information of enterprises owned by the State and of enterprises having State capital; of Decree 71/2013/ND-CP stipulating regulations on State capital investment in enterprises and financial management of enterprises with 100% state-owned charter capital; and Circulars 153, 158, 171 and 173 providing guidelines for implementation.
The Project also developed criteria/indicators and procedure used to evaluate financial situation of SOEs and enterprises with State capital in selected areas of transportation, industry and financial organization.

Results and experiences drawn from the overseas study tour funded by the Project will be examined and incorporated into the draft Law on Management and Utilization of State Capital Invested in Enterprises which is submitted to relevant committees of the National Assembly in July or August 2014 and then to the National Assembly for adoption in November 2014.

**Output 1.5: Complete the assessment of IT security arrangements in MOF with action plan for follow up implementation:** The project has: (i) completed the report on technical security review of TABMIS; (ii) conducted As-is assessment of information safety and security in the financial sector; (iii) developed an implementation roadmap for information safety and security to 2020 in the financial sector; (iv) proposed policies on information safety and security of the financial sector; and (v) developed a FS Report for a Project on information safety and security of the financial sector. The report will serve as a foundation for the Project implementation on information safety and security of the financial sector in coming years.

**Output 1.6: Pilot the evaluation of PFM legislation implementation in selected areas of Vietnam.** The project has conducted a pilot evaluation of PFM legislation implementation in four areas, namely: (i) State budget management; (ii) corporate finance; (iii) tax administration; and (iv) social security. During the course of pilot evaluation, MOF has developed method, criteria and processes to evaluate PFM legislation implementation; these have been finalized and incorporated into the “Regulation on PFM legislation implementation”. The Regulation has been approved by the Finance Minister through his Decision 2247/QD-BTC dated September 6, 2013, and become a legal basis for evaluating the implementation of PFM legislations across the country.

**Output 1.7: Adopt legal framework for the establishment of internal audit mechanism in Vietnam.** MDTF2 has helped to develop a draft Decree on Internal Audit. The Decree was submitted to the National Assembly’s committee for review in 2011. However, the issuance of the decree has been postponed because the Constitution and the Budget Law would be revised at that time, and therefore, a number of legal documents, including the decree on internal audit, would be issued at time after the promulgation of the Constitution and the revised Budget Law.

**Output 1.8: Develop database catering for fiscal analysis and forecast, development of financial policies and financial strategy 2010-2020.** MDTF2 has helped to develop a macro-economic database based on the National Statistical Indicators System under the PM Decision 43/2010/QD-TTg dated June 2, 2010. This database includes 10 groups of macro-economic, financial and fiscal indicators; some 120 tables (2,400 indicators); 64 disaggregates (1,072 indicators); 4,150 import data files; 97 import samples – which can be looked up on monthly, quarterly or annually basis for data series from 2010-2012.

**Intermediate Outcome 2: Improve revenue mobilization through equitable and efficient tax policies; and efficient customs administration.**
Output 2.1: Review the implementation of 11 tax policy areas with recommendations submitted to MOF. MDTF2 has helped to complete 3 sub-projects on drafting of tax laws (under IP1) and review 11 tax policy areas (under IP2). From which, it has submitted for the promulgation by the NA and the Government the following legal documents:

1. Tax law on environmental protection (2010); Decree 67/2011/ND-CP providing guidelines to implement the Tax law on environmental protection; Circular providing implementing guidelines for the Decree 67/2011/ND-CP; Decree 69 to supersede the Decree 67/2011; Circular 159 to revise the Circular guiding the implementation of Decree 67/2011;

2. Tax law on utilization of non-agricultural land (2010);

3. Law on amendment and supplementation of a number of articles of the Law on CIT (June 9, 2013);

4. Law on amendment and supplementation of a number of articles of the Law on PIT (January 23, 2012);

5. Law on amendment and supplementation of a number of articles of the Law on VAT (19/6/2013);

6. The newly-issued Revised Land Law;

7. The NA Standing Committee’s Resolution 712/2013/UBTVQH13 dated December 16, 2013 regarding schedule natural resource tax rates (superseding the Resolution 928/2010/UBTVQH13);

8. The draft tax law on amendment and supplementation of the tax law on special consumption – this has been submitted to MOF’s leaders and is expected to submit the NA for issuance in 2014;

9. It has issued a number of legal documents regarding the level of fees and charges (each year, on average, the MOF issues some 20-30 circulars regarding fees and charges); and helped to draft the law on fees and charges which is planned to be submitted to the NA in 2015 (i.e. upgrade the Ordinance-level to the Law-level on fees and charges);

10. MOF developed a draft law on amendment and supplementation of the law on import and export duties which MOF planned to submit to the NA for adoption in 2015;

11. Reviewed the real estate tax policy in Vietnam which was an important input for the MOF in drafting a draft tax law on real estate and submitting it to the NA for adoption in 2018 in accordance with the law project agenda registered with the NA.

Output 2.2: Adopted National Single Window (NSW) consistent with ASEAN requirements for customs administration. MOF leaders decided not to use funds from MDTF2 but another domestic source to implement this project.

Output 2.3: Adopted the amended tax administration law and legal documents providing implementing guidelines. MOF has developed: Decree 83/2003/ND-CP regarding providing the guidelines for implementation of the tax administration law; the
decree on penalty for not complying with the tax and customs regulations and the circular 156/2013/TT-BTC and 166/2013/TT-BTC guiding the implantation of this decree; and the circular on advance pricing agreement (APA). This support has been very useful and helped the MOF (through GDT) in improving the institutional and legal framework on tax administration, creating fair and transparent investment environment, increasing the revenues for the state budget and striving to bring Vietnam in the list of the top countries in the Southeast Asia in terms of tax facilitation by 2020.

**Intermediate Outcome 3: Strengthen expenditure management through higher accounting standards, and improved capacity in financial reporting, cash management, and state asset management.**

MOF has been moving forward to achieve some meaningful results regarding a better accounting system (for both public and corporate sector), improved cash fund management and public asset management.

*Output 3.1) Develop a roadmap for Public Sector Accounting Standards with finalized gap analysis*. Completed developing the Implementation Roadmap for Public Sector Accounting Standards in Vietnam. Accordingly, the implementation will be split into phases where, under each phase, a number of standards will be published following the principles that (i) those international standards that are with clear contents and suitable with Vietnamese conditions and require little revision or supplementation – will be published first; (ii) those that are more complicated and require longer time to study, research, revise or supplement (or even subject to revision of the budget law) - will be published later on. Specifically, it is planned that, in 2013-2015 period, Vietnam will update some 15/32 Public Sector Accounting Standards; in 2016-2017 period, Vietnam will update 8 PSASs; and 2018 it will update another 9 PSASs. To date, MDTF2 has helped to draft some 5/15 first PSASs.

*Output 3.2: Review the existing corporate accounting standards in Vietnam with recommendations for update.* The update of VAS is split into two stages with 13 standards will be updated each. The original objective of this sub-project is to review and update some standards. To date, under this sub-project, it has reviewed 13/26 corporate accounting standards, in which 8 of them has been submitted to the MOF for issuance, while 5 of them are are under the final review before submitting them to the MOF for issuance.

*Output 3.3: Develop model and implementation roadmap for State Accounting General function.* The State Treasury has completed developing the model, roadmap and solutions to implement the SGA function.

*Output 3.4: Develop and adopt a roadmap for the development of Vietnam bond market.* The roadmap for development of Vietnam bond market to 2020 has been developed; and by end of 2012, MOF approved the roadmap by the Decision 261/QD-BTC dated December 1, 2013, which focuses on the government bond market, including development of dealer system and secondary market, investor based development and diversification, and development of market service infrastructure.

*Output 3.5: Develop modern cash and risk management system toward security and effectiveness with improved coordination between cash and debt management.* Under
IP1, MDTF2 has helped the State Treasury in its development and issuance of the inter-bank and bilateral payment processes, and developed the safety and security processes on bilateral payments, thus helped to establish a Treasury Single Account (TSA). Based on these, State Treasury has developed and then submitted for the issuance of the MOF the Circular on management of cash revenue and expenditure through State Treasury system (Circular 164/2011/TT-BTC dated November 17, 2011)

Under IP2, the State Treasury has completed developing the cash flow forecast system and developing the cash fund control and risk management system. These outputs have fed in the development of the Circular guiding the cash flow forecast process, as well as the Decree on cash fund management, which includes the content regarding cash fund risk management. The draft Circular and Decree have been completed but their issuance will be made upon the revised Budget Law.

**Output 3.6: Develop model for asset management system with reviewed business processes and finalized gap analysis.** With technical assistance provided by MDTF2, MOF has selected an appropriate asset management model to implement asset management in a proactive manner. MOF has assessed IT technology applications in process management of current assets, reviewing data in the national database of State Assets; assessing the gap and thereby deliver a legal and recovery process to consolidate existing databases. On that basis, the consultants has helped build standardized process data in the national database. The standardized business processes, on public asset management, after being developed, have been piloted at the 2 ministries and 2 provinces for the first time, and then at another 3 ministries and 43 provinces. The processes for public asset data review and standardization was approved by MOF through the Decision 1505 issued by October 31, 2012.

3. **Disbursement Progress:**

From the start of PFM MDTF2 till April 30, 2014 (i.e. end of grace period), total disbursement made by MDTF2 amounted to USD 5,404,830 (equivalent to 96% of the approved budget), in which:

- **Grant fund:**
  - Total approved amount: USD 5,355,885
  - Actual disbursement: USD 5,097,659 (accounting for 95%)

- **Counterpart funds:**
  - Total amount set in PD: USD 375,000
  - Actual disbursement: USD 306,252 (equivalent to VND 6,306,443,648)

**Specifically:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Beginning balance (carried over from previous year)</th>
<th>Allocated amount (VND)</th>
<th>Disbursed amount (VND)</th>
<th>% Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>550,000,000</td>
<td>250,884,300</td>
<td>46%</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>299,115,700</td>
<td>1,955,000,000</td>
<td>373,630,946</td>
<td>17%</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Year</th>
<th>Disbursement</th>
<th>Counterpart Fund</th>
<th>Total (Original)</th>
<th>Disbursement Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1,880,484,754</td>
<td>2,000,000,000</td>
<td>828,348,183</td>
<td>21%</td>
</tr>
<tr>
<td>2012</td>
<td>3,052,136,571</td>
<td>200,000,000</td>
<td>1,278,433,128</td>
<td>39%</td>
</tr>
<tr>
<td>2013</td>
<td>1,973,703,443</td>
<td>1,250,000,000</td>
<td>2,303,966,752</td>
<td>71%</td>
</tr>
<tr>
<td>2014</td>
<td>919,736,691</td>
<td>945,000,000</td>
<td>1,271,180,339</td>
<td>68%</td>
</tr>
<tr>
<td>Total (as of April 30, 2014)</td>
<td>6,900,000,000</td>
<td>6,306,443,648</td>
<td>91%</td>
<td></td>
</tr>
<tr>
<td>Total (including some estimated additional expenditures by June 30, 2014)</td>
<td>6,900,000,000</td>
<td>6,459,443,648</td>
<td>94%</td>
<td></td>
</tr>
</tbody>
</table>

After four years of project implementation, MDTF2 disbursement rate reached 95% of the approved grant, and 94% of the approved counterpart fund to implement IP1 and IP2. This is quite a high rate of disbursement. Factors that contributed to the success were that the stronger decentralization and empowerment to implementing units, the effective management and coordination of the PMU, and close guidance of the Project Steering Committee and MOF leaders – all of these have contributed to accelerate the project implementation and disbursement progress.

The remaining 4% of project budget amount is established from some savings, and cancellation of some activities at ending late period of the project implementation.

Disbursement against expenditure categories: according to the original Financing Agreement (FA TF094240), the percentages of budget allocation for expenditure categories are: (i) consultant services is 60%; (ii) training/workshop/survey/study tour is 36%; and (iii) incremental operating cost: 4%, and in the actual, the actual percentages are 47%, 47% and 5%, respectively. So, the actual percentage of expenditure financed for the consultant services is lower than that in the Financing Agreement and for the training/workshop/survey/study tour is a little bit higher than the amount in Financing Agreement. This adjustment is suitable with the objective, the implementation plan of MDTF2, the support needs of implementing units and ensure the successful implementation of the project.

4. Project Management

The project management includes coordination of project implementation, planning, procurement and bidding, financial management, project monitoring and evaluation, project extension, reporting, etc. These all have contributed to the successful implementation of the MDTF2.

- Coordination of project tasks, from planning, organizing for implementation, monitoring and evaluation through reporting between implementing units, PMU and WB have been increasingly strengthened and well implemented.

- IT has completed developing the project implementation plans, including First Implementation Plan (IP1), Second Implementation Plan (IP2), General Procurement Plan for IP1, General Procurement Plan for IP2, Annual Plan and Project Completion Plan.
Based on the long list of proposals for support proposed by implementing units and using the specific selection criteria, the MOF and WB/Donors have selected for implementation of 15 proposals under IP1 and another 14 proposals under IP2. In addition, during the course of project implementation, some additional activities (under IP2) were approved for implementation in order to increase the Project’s impact.

Project procurement and contract management has been fully complied with the required processes and procedures of both the GoV and of the Donors. During the project implementation lifetime, i.e. 2009-2013, implementing units and PMU carried out 131 procurement/ bidding packages, and signed 129 contracts with total value of USD 2,751,734, monitored their execution and conducted final acceptance and liquidation of all signed contracts.

Financial management and accounting has been fully complied with all required processes and procedures of both the Government and of the Donors. Procedures relating to disbursement, accounting, regular disbursement reporting have been done in accordance with the requirements of both the Government and of the Donors; and tax and auditing obligations have been well implemented and complied.

The extension of project timeframe was done in a timely manner to provide adequate time for the implementing units to effectively complete all the project activities and thus contributed to the success of the project.

The PMU carried out monitoring project implementation in a monthly and quarterly basis; updated the project implementation progress in a monthly basis (for 120 activities under IP1 and 210 activities under IP2); and organized monthly review meetings to urge, remind and work out the solutions to address the difficulties faced by implementing units. This is also a very important effort to help accelerating the implementation progress of project activities.

Reports are prepared and sent to relevant parties in a quarterly, bi-annually and annually basis using the formats and within the deadline required by both the Government and the Donors. In addition, MDTF2 also prepares monthly progress reports and submit the same to MOF leaders and Project Steering Committee members to keep them updated about the project implementation and disbursement status and at the same time to seek for timely guidance from them.

Monthly meetings of PMU are organized, particularly in the second half of the project implementation, to review the project implementation and disbursement progress of the month, and to find ways to remove the obstacles faced during the project implementation. Project Steering Committee meetings are held twice a year, or when needed.

5. Lessons Learnt

With regards to MDTF Model:

- The project is designed in the form of multi-donor trust fund so it has a high degree of flexibility to response to both the “long-term” and “short-term” needs of PFM
reform process and of a developing economy like Vietnam. This model has been also response quite well to the diversified reform needs under various sub-sectors of the financial sector.

○ MDTF model has helped the MOF to strengthen its capacity and ownership capability to better be able to develop and implement by itself the reform and development programs/strategies in the future. Through the MDTF model, the institutional and implementation capacity of the MOF has been enhanced in both terms of quality and quantity.

**With regards to project management and execution:**

○ Thanks to the right identification of objectives for project by the preparation of MDTF2, the design of project activities and their expected outputs have been in line with practical needs and aligned with MOF’s tasks assigned by the Government. In addition to that, there have been (i) due attention and guidance provided by the MOF leadership and of Project Steering Committee members to the project; (ii) the active participation of implementing units in project activities as well as due attention and guidance paid by the departmental leaders; and (iii) the assignment of civil servants and officers with adequate qualification and capacity to involve in project implement – all have contributed to the successful project implementation.

○ Project’s annual implementation plans are developed based on consensus among the beneficiary departments, the donors and the PMU, so they are of high feasibility and flexible enough for any potential adaptation to the practical conditions and actual circumstances in timely manner.

○ Implementation of sub-projects or proposals was done in a manner that ensured strong connection between hypothetical research (through international and national consultants) and surveys/studies (both in-country and overseas), especially consultation was done through seminars/workshops, exchange of multi-dimensional opinions by relevant experts - all together have also contributed to the project's success.

○ Having implemented the MDTF1, the PMU has gained lots of experience in relation to project management, organization for implementing, monitoring and handling day-to-day operations, managing, urging and reminding implementing units in their implementation of project activities, working out promptly and effective solutions. Especially, by organizing and maintaining PMU’s monthly review meetings, it has been able to review the project implementation progress, reminding of and removing the constraints faced by the project, thus accelerated the project implementation progress and helped the Project in completing all the tasks and outputs within the project lifetime.

○ Project management is carried out in a manner that based on the output/results where an M&E Framework is developed with specific indicators to measure the results/outputs and progress as well to identify potential risks so as to work out the solutions in a timely manner. The project has developed a system of scientific
and effective reporting and transparent communication among stakeholders and the MOF leaders.

- In addition, through organizing the annual meeting between WB/donors and MOF to review the project performance results, particularly the project implementation and disbursement progress, it has helped accommodating appropriate and timely adjustment decisions. With the inputs of the MTR and Project Completion Review mission, the project has been able to timely adjust the M&E Framework as well as obtained approval on project time extension to provide implementing units with adequate time to complete their sub-proposals at high quality.

- The recruited staffs working for the PMU Office have all meet all requirements in terms of experience, qualifications and skills to facilitate the project implementation.

- The new decentralization mechanism under which more devolution of authority and empowerment is given to the functional departments of the MOF in all steps of project implementation, from planning (formulation of proposals/sub-projects), implementation of the approved activities through reporting, while at the same time, the PMU focus on project management, monitoring and evaluation, supervision and facilitation kinds of tasks – all has contributed significantly to accelerate the project implementation progress.

- A timely and effective coordination and collaboration mechanism between implementing units, PMU and WB to discuss and consult to resolve constraints arising over the course of project implementation has been put in place. The transparent and reliable communication mechanism established between PMU, implementing units and WB has facilitated the successful implementation of project activities.

- The arrangement of the project to which the part-time key project personnel of the PMU (particularly the Project Director, Project Coordinator and Chief Accountant) have allocated more of their time spending for the project work have contributed significantly to accelerated project implementation progress.

- Along with decentralization of project implementation to implementing units, the Project has trained their staff on mechanism and processes to manage and implement project activities under this decentralized mechanism. Specifically, the Project has, in collaboration with WB and the Department of Planning and Finance from MOF, carried out training courses on the project procurement/bidding processes, financial management, project management of WB and Government to equip implementing units with better understanding so as to ensure their compliance with requirements.

6. **Recommendations**

The project has completed all expected outputs under the Results Framework and these important outputs have contributed to the achievement of project objectives. More importantly, MDTF2 has started setting the initial building blocks for important PFM reforms in Vietnam, with most of these are to develop FSDS 2011-2020, MTAP 2014-
2016 and implementation roadmaps or models of inevitably long gestation, which would require continued efforts beyond the lifetime of MDTF2. Hence, in order to ensure the continuity and sustainability of the Project as well as to promote important PFM reforms in Vietnam, a post-MDTF2 support is highly necessary and, hence, DPs/WB and MOF should urgently proceed with the formulation of a new project.
PMU’s comments on the Draft ICR

SOCIALIST REPUBLIC OF VIETNAM
MINISTRY OF FINANCE

Multi-donor Trust Fund Phase 2 Project
No 28 – Tran Hung Dao Street - Hanoi - Vietnam
Tel: 84-4-2220 2828 (Ext: 7165); Fax 84-4-2220 8109

Hanoi, June 20, 2014

To: Mr. Nguyen Van Minh
Senior Economist
Task Team Leader of MDTF2
World Bank


Dear Mr. Minh,

It is our thankfulness for providing us a draft of Implementation Completion Report that has been prepared by WB Project Closing Review Mission. Given a fact that MDTF2 has been officially closed at December 31, 2013 so the local consultants working in our project office have left project, including an interpreter. However, this report should be considered and commented by all beneficiaries of MDTF2 as required by MOF so it took time for translation and collection the comments. Now we are still waiting for feedback from beneficiaries.

In order to facilitate you in finalizing the report, we would like to provide you with PMU’s comments beforehand for your consideration. Our comments will focus mainly on the project operation and management and be summarized as follows:

1. In Component F – Results Framework Analysis, it is a heading of Revised Project Development Objectives (as approved by original approving authority).

It should be considered as revision because during MDTF2 Implementation Review of 2013, both WB and MOF have agreed that the MDTF2 PDO has not been changed/revised. However, the outcome indicators were revised from 42 to 15 to make them suitable with approved activities/proposals of IP1 & IP2 and then re-grouped them into 3 intermediate outcomes.

It is therefore suggested that “revised PDO” should be understood and specified as “adjusted PDO” throughout the report.

2. In Table of Intermediate Outcome Indicator(s)
2.1. In Indicator 4:

In column “Actual Value Achieved at Completion or Target Years”, there has a sentence of “...Decree on the investment of state capital in enterprises”.

It is inaccurate because (i) The relevant results and experience drawn from the overseas study tour and workshop activities funded by MDTF2 will be considered to incorporate in the Draft Law on Management and Utilization of State Capital Invested in Enterprises, not Decree; and (ii) The Draft Law has not issued yet and expected to submit to the relevant Committees of the National Assembly in July/August 2014 and to the National Assembly for adoption in the session of November 2014. However, it is noted that the results of Indicator 4 have been achieved in comparison to the Original Proposal while those overseas study tour and workshop activities to be supplemented in the last stage of project life.

We therefore would like to request for appropriate adjustment of this issue.

2.2. In Indicator 8:

The explanation in column of “Actual Value Achieved at Completion or Target Years” is also too general and not well-detailed. In fact, the results achieved in tax sector are highly appreciated in terms of quality and scope. So it would be appropriate if the outputs mentioned in the Results Framework dated April 14, 2014 could be sufficiently summarized in this table.

2.3. In Indicator 9:

Also, the explanation in column of “Actual Value Achieved at Completion or Target Years” should be deleted and replaced by “MOF’s leaders decided not to use the funds from MDTF2 to implement this proposal but other funding resource instead”.

2.4. In Indicator 11: number of accounting standards submitted to MOF should be changed from 5 to 8.

3. In Item 1: Project Context, Development Objectives and Design.

3.1. In Sub-item 1.1.

Under a heading of There were significant weaknesses in revenue administration as well, the paragraph of “Vietnamese Customs were still considered low, unresponsive, inconsistent and vulnerable to corruption. A long-term vision with clear strategic goal was lacking. The Customs administration needed to change significantly, shifting its mindset from a culture of domestic protection and control of all transactions to one that facilitates foreign trade and promotes private sector development. The tax administration was characterized by low compliance and vulnerability towards corruption” is not suitable at the moment, so it should be deleted.

3.2. In Sub-item 1.4. Main Beneficiaries.
Some more departments should be included, such as Price Control, Banking and Financial Institutions, Tax Policy, Financial Institute, GDT, Insurance Management and Supervision, Personnel and Training and SAV.

3.3. In Sub-item 1.7. Other Significant Changes.
In third dot under heading of Project Financing, a sentence of “… but they indicated that release of the remaining commitments was conditional to progress against overall project performance” should be deleted as it is not an official information in any management documents of project.

4. In Item 2: Key Factors Affecting Implementation and Outcomes.
4.1. Sub-item 2.2: Implementation.
Under heading of Factors affecting implementation, in Point (i) the first sentence should be re-written in appropriate way as (1) the overall PFM reform plan of MOF has been coordinated and conducted by separate Steering Committee chaired by Vice Minister of Finance; (2) MDIF2 is just a project that provides TA activities for a subset of overall PFM reform; and (3) There had a separate Steering Committee in charge of coordinating all TA activities financed by MDIF2 and this SC has completed successfully its mandatory tasks as requested by MOF.
Similarly, in Point (ii) it could be sufficient if another reason could be included, i.e. a not-well coordination of related stakeholders in considering and approving the IPs, particularly IP2.
Also, in Point (iv) the last sentence should be deleted as this is not a problem making a delay of project implementation.

4.2. Sub-item 2.3: Monitoring and Evaluation (M&E) Design, Implementation and Utilization
Under heading of M&E Utilization, it will be appropriate if the sentence of “For example, when the Custom Single Window project could not proceed due to limited time available within the remained timeline of the project, it was dropped from the scope of the project. Funding earmarked for this activity was released to finance newly identified priorities” is revised as “For example, when the Custom Single Window project could not proceed, the funding earmarked for this activity was released to finance newly identified priorities”.
Also in second paragraph of the same heading, a last sentence should be re-written as “Full achievement of the fundamental changes of PDO would, therefore, require more time and further efforts and supports, in light of this, the PDO achievement is rated as Moderately Satisfactory”.

5. In Item 3. Assessment of Outcomes
5.1. In Sub-item 3.3. Efficiency.
The last sentence in last paragraph should be deleted as it is not appropriate.

5.2. In Sub-item Borrower Performance
- In Point (a) - Government Performance: the first sentence should be deleted as it is not appropriate.

- In Point (b) - Implementing Agency or Agencies Performance: in second sentence, a paragraph of “…this reflected in large part the coordination and procedural issues within the government” is not fully reflected the fact. Another reason is that there had no clear set of cost norms issued by WB so PMU and Beneficiaries got many problems in preparing their implementation in details. In addition, it took time for having approval from WB. It is therefore requested that this part should be rewritten in reasonable way.

- In Point (b) - Implementing Agency or Agencies Performance, under heading of Monitoring and Evaluation, the first sentence should be deleted as it is not correct. Recently, PMU received comments from Institute of Finance Policy and Strategy. They are as follows:
  - In Component F, a date of approval of Action Plan for FDS 2011-2020 should be January 30, 2013 not June 25, 2012 as shown in Indicators 2.

- In Item 3.2 - Achievement of Project Development Objectives: an explanation of MTAP should be reflected as follow: “the Medium Term Action Plan 2014-2016 (MTAP) provided not only an important opportunity to coordinate and prioritize reform efforts but also a projection of resources, including internal and external sources for implementation as well as a basic assessment on implementation risks”. We hope these comments are useful for you and looking to have your reply in convenient time.

Thanks,

Hoang Tiet Kiem
Deputy Project Director
Annex 8. Comments of Co-financiers and Other Partners/Stakeholders

Following are the comments on the draft report by SECO:

1. The draft well documents the project evolution throughout the cycle. It adequately presents key moments, turn-around, challenges of the project implementation process.

2. The rating of the relevance of objective, design and implementation is difficult to assess, because it mixes different things. While it is undisputed that the relevance of the objective is high, donors have repeatedly discussed with the WB difficulties rooted in the design of the MDTF and its implementation mechanism. Therefore it seems a more nuanced rating might be more appropriate.

3. We have the following comments regarding the assessment of the design:
   - We miss an explanation of the problems in the beginning (i.e. it took over 1 year for the Swiss contribution to be officialised despite being the lead donor), which generated a perception among DP of difficulties in program administration, which should be noted in the report. We also note the typo made in page 5 concerning date of SECO funded agreement: The correct date counter-signed by WB vs. SECO was 14 December 2009.
   - The report points rightly to the fact that more time should have been given in the set-up phase. Project implementation modalities and issues which were hindering at the beginning (i.e. CTA issue, staffing of PMU, program management capacities at WB) could have been better anticipated. Early phase problem should be better accounted either in text or rating on design. We think this passage could be more elaborated.
   - The Vietnamese counterpart gave the consistent feedback that the project approval process was too tiresome. As a consequence, some department chose not to seek funding support of MDTF2, even though they would have had a case; e.g. the Debt Management Department. This should be better reflected.
   - We miss a clear justification of change of PDO, in particular because it entails a substantial downgrade on expectation, pointing to the fact that problems were encountered with absorption capacity. Absorption capacity in general has been overstated in the beginning and should be reflected in rating the project design. This is further evidence that originally four IP were expected, where it was only possible to have two.
   - The report misses a reflection on whether the design was appropriate in the VN context. Among others, whether is it a binary option: on the one hand, the recipient executed mechanism is claimed to slow down the implementation process due to lack of absorbing capacity, on the other hand, it increases ownership.

4. The explanation on page 6 (project financing) is misleading. It should be clearly stated that because of low absorption capacity and slow progress, donors were not
able to disburse all funds, originally committed. By 2012 it became clear that the 5.8 million USD, paid-in the TF were deemed sufficient to cover the costs of IP1/2 and Bank admin cost, still leaving some funds undisbursed (12.7%). It is important to note this, because this also points towards an overestimation of absorption capacity. Further in the same paragraph, it should specify that NL exited the TF after the MTR. It seems DANIDA is omitted.

5. The report could have drawn up valuable lessons for any future TAs in VN in general and TAs in PFM in particular. To this end, the assessment leading to conclusion should be sharpened with further explanations, extrapolations on systemic issues, such as the approach of building-blocks (i.e. lack of follow-through), strategic focus, stakeholder involvement/ownership, leadership, in-house technical competence, recruitment of consultants, support modality, etc.

It is interesting to see that the lessons learnt from MDTF1 (i.e. link to strategic area support and underlying strategic guiding document) have not been properly accounted for in MDTF2. While at the beginning, the perception of the SD as a big step, donors still keep the flexibility of the support provided under MDTF 2 (the report also notes so on several occasion); and accept that strategic underpinning was not sequenced nor weak. The report should better discuss this issue and the implication for any upcoming support. In this spirit, we miss the following lessons learnt, which are pertinent for future support vehicle.

- Project approach, i.e. building block: On the one hand, the VN administration is known to be weak at implementation of legal framework due to the lack of capacity; and weak enforcement. On the other hand, due to the lack of follow-through (equal to laying foundations for other projects funded by other sources), MDTF PFM is primarily focusing on short-term TA inputs for producing several regulations, studies, etc. rather than supporting the implementation of targeted policies. In another word, the MDTF PFM does not address the weak chain. To this end, it is unclear of the effectiveness of the support to yield the expected results, namely: increased coordination a transparency in PFM; improved revenue mobilization; and effective and efficient public expenditure management.

- Strategic focus through a good quality of the Financial Sector Development Strategy/Action Plan/MTAP: Strategic focus and proper sequencing have been off-set by the equalisation of the resource allocation (i.e. any departments of MOF has benefited from the program) by using the single document as an excuse. As a consequence, MDTF PFM entails ad-hoc activities that lack follow through for a tangible result. The strategic focus should have been achieved by the guidance of an international Chief Technical Advisor who has rich experience in PFM reforms in a transitional economy being transformed to the market based economy.

It is important to have the foundation of MTAP documented. Why does MTAP come to the fore despite the available action plan of the financial sector strategy? What are the lessons learnt in this regard? Is it advisable that donors convince MOF to accept
external TAs for a good quality strategic document or donors should instead be pragmatic at selecting sensible topics for their funded TAs?

- Leadership: Individual leaders of the project are WB task team leader and CTA. Whether the performance of these leading positions is the success driver? The performance of these essential positions and their impacts on the overall project performance should be assessed. Why does MOF resist the long-term presence of CTA?

- Project focal point: The implementing coordination has been miss-located at a body (ICD) which is marginalised from the PFM reform.

- Recruitment of Consultants: The report rightly points out that the recruitment of qualified consultants is a big challenge. The causes should be identified. Whether it is hindered by the cost norm that is below the market rate; or it is MOF’s motive to hire their internal roasters (i.e. retired officials) for a routine mind-set rather than being challenged with new way of thinking?: or there has been a lack of back-up from WB and CTA who have richer pool of international consultants?

In our view, TA of a reforming project can add best value through bringing in international expert who is knowledgeable and experienced in a similar PFM reform elsewhere, both failure and success. Therefore, MDTF PFM should have maximised the inputs of international consultants. In contrast, a national consultant, especially who has long-term engagement in the VN PFM system carries the downside effect that he/she reinforces traditional way of doing business in PFM.

- Inter-ministerial coordination and cohesion: the report touches upon 2 major topics that require inter-ministerial collaboration and coordination. They are internal audit (page v) and procurement (page 15). The earlier topic involves MOF and SAV while the later MOF and MPI. It is interesting to learn about the assessment of the project’s contribution to the improved inter-agency coordination through these 2 concrete activities.

- International good practice: The report commends the project to introduce several international good practices to change the local system such as IPSAS. It should also assess the consequences of significant divergences associated to the project activities. Amongst others, that MOF imposes on private accounting standard; and SAV is in-charge of regulating internal audit is deviated from international practice.

**Comments by EC:**

**Detailed Ratings (pages i-ii, xi)**

As there is no clear definition of the ratings, these come across as somewhat subjective in the summary tables (although these definitions may well be evident to Bank insiders). At times, the ratings seem to contradict the narrative in the latter parts of the document. A
more nuanced assessment would have been preferable, particularly in line with the issues identified later in the document.

**Results Framework Analysis (page iii)**

There is no clear narrative to explain why a significant restructuring of the results framework was necessary. Like SECO, we believe that there is no clearly articulated justification for the change to the PDO, and no mention is made of the downgrading of expectations in light of the significant problems encountered.

**Project financing (page 6)**

The section on project financing does not accurately reflect the decisions taken with regards to the outstanding funds. While EU (and others) indeed argued that the disbursement of the remaining funds should be based on implementation performance, the Bank also advised donors (particularly EU and SECO) not to disburse their remaining commitments due to low MOF absorption capacity (contractually, the disbursement of remaining EU funds was subject to the request for those funds by the Bank). In other words, full disbursement was not reached due to slow implementation and weak absorption capacity.

**Project Design (pages 7-8)**

The report fails to sufficiently reflect on the lessons learned from the design phase.

In particular, the report could acknowledge that better efforts should have been made to anticipate problems (on the basis on MDTF-1 lessons learned) and develop appropriate mitigating measures during the design phase. The failure to address some of these evident problems (see for example, the comments of donors – dated April 2008) at the design stage directly led to implementation problems at a later stage. For example,

- With regard to the SSD itself, no mention is made of any perceived weaknesses in the SSD during project design (although a number of issues were evident at the time if preparation). Yet in the subsequent sections, implementation is said to have been slow due to weaknesses in the SSD (e.g. lack of sequencing).

- The need for a CTA focused on technical rather than logistical and defined roles and responsibilities for the PMU was repeatedly emphasised by all the participating donors. Donors identified the CTA as a significant "risk mitigation" measure.

- A clearer delineation of roles and responsibilities (WB and PMU) was another issue highlighted by the donors during the design phase.

**Implementation (pages 9-11)**

The document only refers to two implementation plans (IP1 and IP2). The original aim was for annual IPs, yet no mention is made of this or indeed why there was a deviation from the plan.
There is a positive spin on the rationale for revising the PDO, which plays down the significance of major structural and operational issues which hampered overall progress to this stage. Indeed, the ROM mission, undertaken in parallel to the MTR, found that “actual results are likely to be scarce with limited impact on Vietnam’s PFM reform, unless immediate corrective action is taken”. This was the rationale for the revision of the PDO.

The findings of the MTR are only briefly covered in the narrative on implementation, and do not accurately reflect the number of problems identified with the MDTF at the time of the MTR. For example

- There is no reflection on the appropriateness of ICD to lead on the implementation of the project
- There is no reflection as to why the CTA was sidelined, and the impact on the strategic direction of the MDTF
- There is no reflection on the role (or lack thereof) of MOF leadership in the implementation of the project (and the role of the Steering Committee). The report later suggests (page 19) "strong leadership and effective steering"
- There is no reflection on the "bidding" (or cake sharing) approach that became apparent in the preparation of the IPs. The lack of selection criteria led to a great deal of frustration among the beneficiary departments who felt that their "valid" proposals were unnecessarily rejected
- There is no reflection on the inadequacy of the process for recruiting experts (international and local), or of the clear "preference" for local experts and the implications for the quality of the technical support. A more proactive approach to support beneficiaries (on the part of WB or PMU) to identify suitable experts was necessary
- Given the scope and breadth of the MDTF, there is no reflection as to whether the Bank allocated sufficient human resources to the management of the project.

Visibility

There is no reflection on the visibility impact of the MDTF, which was of particular concern to the EU (and articulated on a number of occasions). The project website never really materialised in time to be of use to the project in terms of visibility, donor coordination or even consultant recruitment

Post completion / Next phase

Overall, we find the report weak on lessons learned for future PFM project design and implementation, given the particular country/institutional context and the experience of MDTF 1&2 (i.e. we are in full agreement with the comments previously made by SECO on this point).
Annex 9. List of Supporting Documents

- Project Implementation Plans


- Aide Memoires, Back-to-Office Reports, and Implementation Status Reports.

- Project Progress Reports.

- Borrower's Summary Evaluation Report dated June 3 2014