

Document of
The World Bank

Report No: 75625 v1

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
FOR
THE PUBLIC FINANCIAL MANAGEMENT REFORM PROJECT
(CREDIT NUMBERS 3767-VN AND 4863-VN)
(P075399)
(BOARD APPROVAL DATE: MAY 22, 2003)
TO THE
SOCIALIST REPUBLIC OF VIETNAM

February 22, 2013

**Poverty Reduction and Economic Management Unit
East Asia and Pacific Region**

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CURRENCY EQUIVALENTS
(Exchange Rate Effective: January 31, 2013)

Currency Unit = Vietnamese Dong (VND)
VND 1 = US\$
US\$1 = VND

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

BPS	Budget Preparation System
CO	Change Order
COA	Chart of Accounts
CQS	Selection Based on the Consultants' Qualifications
DeMPA	Debt management Performance Assessment framework
DMFAS	Debt Management Financial and Analysis System
FMIS	Financial Management Information System
GBP	Great Britain Pound
GFMIS	Government Financial Management Information System
GoV	Government of Vietnam
IA	Implementing Agency
ICB	International Competitive Bidding
MoF	Ministry of Finance
MPI	Ministry of Planning and Investment
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
PFMRP	Public Financial Management Reform Project
PMU	Project Management Unit
QCBS	Quality- and Cost-Based Selection
SDR	Special Drawing Right
TA	Technical Assistance
TABMIS	Treasury and Budget Management Information System
TSA	Treasury Single Account
VND	Vietnamese Dong

Regional Vice President:	Axel van Trotsenburg
Country Director:	Victoria Kwakwa
Sector Director:	Sudhir Shetty
Task Team Leader:	Quyen Hoang Vu

VIETNAM
PUBLIC FINANCIAL MANAGEMENT REFORM PROJECT
[CREDIT NUMBERS 3767-VN AND 4863-VN]

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DATA SHEET

1. Basic Information	
Project ID & Name	P075399: Public Financial Management Reform Project
Country	Vietnam
Task Team Leader	Quyen Hoang Vu
Sector Manager/Director	Deepak Mishra/Sudhir Shetty
Country Director	Victoria Kwakwa
Original Board Approval Date	May 22, 2003
Original Closing Date:	February 28, 2009
Current Closing Date	February 28, 2013
Proposed Closing Date	October 31, 2013
EA Category	C-Not Required

2. Revised Financing Plan (US\$m)		
Source	Original	Revised
BORR	7.14	7.14
IDA	9.99	9.99
DFID	54.33	68.33
Total	71.46	85.46

3. Borrower		
Organization	Department	Location
Socialist Republic of Vietnam		Vietnam

4. Implementing Agency		
Organization	Department	Location
Ministry of Finance	1. State Treasury 2. State Budget Department 3. Debt Management and External Finance Department 4. Corporate Finance Department	28 Tran Hung Dao, Hanoi, Vietnam

5. Disbursement Estimates (US\$m)		
Actual amount disbursed as of January 30, 2013		59.57
Fiscal Year	Annual	Cumulative
2013(H2)	10.24	69.81
2014	5.49	75.30
	Total	75.30

6. Policy Exceptions and Safeguard Policies	
Does the restructured project require any exceptions to Bank policies?	N
Does the restructured project trigger any new safeguard policies?	N

7. Project Development Objectives/Outcomes
The objective of the Project is to strengthen the Recipient's capacity to plan, execute and report on its budget and to improve the transparency and accountability of the budgetary systems and processes.

VIETNAM
PUBLIC FINANCIAL MANAGEMENT REFORM PROJECT

RESTRUCTURING PAPER

A. SUMMARY

1. This Project Paper seeks the approval of the Regional Vice President to extend the closing date of the Financing Agreement (FA) for the Vietnam Public Financial Management Reform Project (PFMRP: Project Identification No. P075399, Credit Numbers 3767-VN and 4863-VN) from February 28, 2013 to October 31, 2013. The proposed extension is necessary to ensure successful hand-over of the Treasury and Budget Management Information System (TABMIS) from the contractor to the Ministry of Finance (MoF) and to complete the remaining critical activities. The project's closing date was first extended in 2009 for two years, and later extended in 2011 for another two years in conjunction with the Additional Financing.
2. This Project Paper also seeks the approval of the Country Director to amend the FA to reallocate the proceeds among the expenditure categories. The adjustment is necessary to align project activities to changing circumstances.

B. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

B.1. Project Background

3. The subject project was approved by the Board of Executive Directors on May 22, 2003, and became effective on September 4, 2003. The Project aims to strengthen the government's capacity to plan, execute and report on its budget and to improve the transparency and accountability of the budgetary systems and processes. The project includes major investments to upgrade the core systems of public financial management (funded by IDA credit), and Technical Assistance to support institutional reforms, policy formulation, and capacity building (partly funded by DFID co-financing). Total cost of the project is US\$96 million, out of which US\$75 million is IDA credits, US\$11 million is DFID grant, and US\$10 million is counterpart contribution.
4. On January 31, 2013, the Government of Vietnam proposed to restructure the project including (i) extending the closing date from February 28, 2013 to October 31, 2013; (ii) revising project activities and their associated output indicators; and (iii) reallocating proceeds across different categories. The proposed adjustments do not involve any changes to the project development objectives and key performance indicators.

B.2. Status of Implementation

5. The project is already making a significant difference in the way the budget is prepared, executed, monitored and reported in Vietnam. Specifically, the project will: (i) enable the government to plan, execute and monitor the state budget through a centralized financial management information system, on a transparent and real-time basis; (ii) assist to strengthen the links between budget management and government's goals within a medium-term expenditure framework; and (iii) significantly improve the management of public debt and other fiscal risks. The project is making progress to meet its development objectives as discussed below.

6. **Component 1 (Strengthening treasury and budget management):** Five out of six stages of TABMIS implementation (design, development, testing, piloting, and roll-out) have been completed. TABMIS is now operational in all intended 1,500 treasuries and financial agencies across all 63 provinces, and 37 spending ministerial organizations. The last critical but still ongoing stage is to stabilize TABMIS operation and ensure smooth handover from the contractor to the MoF. These require (i) strengthening in-house capacity to be able to take over TABMIS; (ii) addressing remaining software issues to stabilize the operation; and (iii) fully activating several system functions, which were pending due to lack of legal framework.

7. **Component 2 (Strengthening state budget and investment planning):** The medium-term fiscal framework (MTFF) and the medium-term expenditure framework (MTEF) have been successfully piloted in 6 ministries and 4 provinces. The original objective of developing the methodology to implement the MTEF in Vietnam and testing its feasibility was achieved. There were plans to (i) mainstream the MTEF in the annual budget process by having it mandated by the budget law, to amplify the pilot results; and (ii) study the feasibility of a Budget Preparation System which can also support the MTEF. However due to the time consuming amendment of the law, the former activity is delayed to 2013 while the latter is proposed to be dropped.

8. **Component 3 (Strengthening the management of public debt and other fiscal risks):** There has been considerable progress in this component, particularly in relation to the technical assistance activities (e.g. promulgation of the public debt law and development of debt management reform plan), and implementation of the DMFAS system for recording and management of domestic debt. The work to strengthen the monitoring of SOEs fiscal risks has gathered pace recently, with the finalization of relevant legal framework and gradual enhancement of risk management and assessment capacity.

9. **Component 4 (Project implementation support):** This component remains satisfactory. Institutional arrangements remain effective (including the Inter-Ministerial Steering Committee, Component Technical Units, and Project Management Unit organized into specialized teams). Support of consultants has improved during the period of project implementation.

10. The latest ISRs for the project are shown in Table 1 below.

Table 1. ISR Ratings in the last 12 months

Rating Category	ISR #14 (Jan 2011)	ISR #15 (Apr 2012)	ISR #16 (Jan 2013)
Progress Towards PDO	S	S	S
Overall Implementation Progress	MS	MS	MS
Financial Management	S	S	S
Procurement	MS	MS	MS

S (Satisfactory), MS (Moderately Satisfactory), n/a: not applicable

11. **Disbursement and commitments.** As of January 31, 2013, disbursement from IDA, DFID and counterpart fund was 80 percent, 93 and 66 percent respectively. The project had a cumulative IDA disbursement of US\$59.6 million, with US\$11 million disbursed in the last seven months. There has been a good disbursement progress in the recent years— largely on account of the steady progress in TABMIS implementation.

12. **Fiduciary Management.** There are no overdue or qualified audit reports. Financial Management and Procurement have been rated Satisfactory and Moderately Satisfactory

respectively. The project procurement performance has notably improved with the signing of a major Change Order (CO) for the TABMIS contract, an ICB contract for procurement of additional computers and a dozen of consultants' contracts. Nevertheless, compared to the earlier agreed Procurement Plan, there have been delays particularly due to the CO, and some contracts (mostly small consulting services) remain outstanding. Safeguards compliance is not required for this project.

B.3. Rationale for Extension of Project's Closing Date

13. The proposed extension is essential to ensure successful hand-over of the TABMIS from the contractor to the MoF and completion of remaining critical activities. The original plan was to complete the system roll out by the end of 2011, and for the MoF to take another year to gradually take over the system that has been developed under a turn-key contract. However, the project experienced delays due to time consuming implementation and procurement involving large and complex IT system. The nationwide TABMIS roll-out was completed at the end of 2012, thereby delaying progress by nearly a year. The long implementation period is however within the norm for such IT based PFM projects in Vietnam and other developing countries. The extension of the project by another eight months will ensure a smooth and efficient handover and realization of full potential of the TABMIS system.

C. PROPOSED CHANGES

C.1. Extension of Closing Date

14. The closing date of the FA would be extended from February 28, 2013 to October 31, 2013. To justify for the proposed extension, the MoF has updated the Action Plan including the disbursement schedule during the extension period. Following the detailed discussion with the Bank team, the MoF has realistically updated the procurement plan for the outstanding contracts including another CO for the TABMIS contract (Annex 1). While a detailed proposal for this CO is yet to be submitted by the MoF, it is envisaged that the CO can be processed in parallel to TABMIS handover activities and therefore would not hamper the project overall progress. The plans have been reviewed and found acceptable.

15. Key activities to be completed in the extended periods include:

- Strengthening capacity to fully take over TABMIS and prudently manage the final operational acceptance of the system while addressing a number of remaining software issues to stabilize TABMIS operation;
- Fully activating a number of critical TABMIS functions (e.g. commitment control and cash management);
- Designing TABMIS Portal and developing GFMIS model and roadmap;
- Developing detailed guidelines for nationwide implementation of MTFF and MTEF;

C.2. Reallocation of Proceeds

16. It is necessary to adjust the allocation of proceeds to align them with the changes in project activities.

- For the Original Credit (Cr 3767-VN): TABMIS is delivered under a turn-key contract covering both goods and operating costs– it is therefore not possible to split category 2 and category 3a in each bill. The government wishes to charge the entire contract amount to category 2, thereby requesting to reallocate SDR5.74 million from category 3a (which was supposed to finance operating costs of the turn-key contract) to category 2.
- For the Additional Credit (Cr 4863-VN): The government requests to reallocate fund from category 2 to category 3a and category 4 to fully utilize the remaining fund to meet the additional consultancy and training needs in order to fully achieve the objectives of the project.

17. Schedule 2 of the FA should be updated accordingly as follows:

Table 3. Proposed reallocation of proceeds (expressed in SDR)

Category	Current allocation		Revised allocation		% Financing (inclusive of taxes)
	Original Credit (IDA 37670)	Additional Credit (IDA 48630)	Original Credit (IDA 37670)	Additional Credit (IDA 48630)	
1) Goods other than financial management information systems	130,000	-	130,000	-	95%
2) Goods for the financial management information systems	32,380,000	5,835,000	38,120,000	4,600,000	95%
3) Incremental Operating Costs					
a) For TABMIS	6,600,000	280,000	860,000	1,080,000	95%
b) for PMU	130,000	-	130,000	-	100%
4) Consultants' Services/ Training/ Workshops	660,000	3,085,000	660,000	3,520,000	100%
TOTAL	39,900,000	9,200,000	39,900,000	9,200,000	

Annex 1. Procurement Plan for the Extension Period

No.	Activities	Ref.	WB review	Proc. Type	Cost estimated			Proc. Method	Proc. Start	Proc. End	End Contract	Notes
					IDA	Gov't	Total					
	COMPONENT I				5,389.4	231.6	5,621.0					
C1.2.5	PCs and other equipment to support TABMIS implementation sites	1(c)-2	Prior	IS	2,500.0	132.0	2,632.0	ICB	2/2013	4/2013	10/2013	
C1.3.2.1	Additional licenses, and software support, maintenance, upgrading and customization services	1(c)-3	Prior	IS	1,003.0	53.0	1,056.0	C.O	2/2013	4/2013	10/2013	
C1.4.16	Printing of TABMIS accounting policy books and guiding documents for users	1(c)-4	Post	G	47.5	2.5	50.0	S	3/2013	4/2013	5/2013	
C1.8.2	International consultant supporting TABMIS implementation assessment and contract closing	1(b)-1	Post	CS	140.0		140.0	CQS	12/2012	2/2013	9/2013	in progress
C1.8.3	Local consultant supporting TABMIS implementation assessment and contract closing	1(b)-1	Post	CS	60.0		60.0	CQS	12/2012	2/2013	9/2013	in progress
C1.8.6	International consultant for Oracle database and applications assessment	1(b)-2	Post	CS	180.0		180.0	CQS	12/2012	2/2013	9/2013	in progress
C1.8.8	Consultant supporting the study on possible approaches and tools to migrate to and utilize TABMIS data outside the production environment	1(b)-2	Post	CS	100.0		100.0	CQS	3/2013	6/2013	10/2013	
C1.8.11.b	Local consultants for functional expertise (period 2)	1(b)-3	Post	CS	18.0		18.0	IC	12/2012	2/2013	9/2013	in progress
C1.9.4	International consultant for State accounting information consolidation and development of operation guidelines for public accounting standards	1(e)-3 1(e)-4	Post	CS	60.0		60.0	IC	12/2012	2/2013	9/2013	in progress
C1.9.6	Local consultant for State accounting information consolidation and development of operation guidelines for public accountant standards	1(e)-3 1(e)-4	Post	CS	50.0		50.0	CQS	12/2012	2/2013	9/2013	in progress
C1.9.7	Consultancy service for develop model, roadmap, tech requirements and bid document for TABMIS Portal	1(f)	Post	CS	198.0		198.0	CQS	11/2012	2/2013	9/2013	in progress
C1.9.10	Consulting services for studying model and roadmap towards GFMIS	1(g)-2	Post	CS	196.0		196.0	CQS	11/2012	2/2013	9/2013	in progress

No.	Activities	Ref.	WB review	Proc. Type	Cost estimated			Proc. Method	Proc. Start	Proc. End	End Contract	Notes
					IDA	Gov't	Total					
	COMPONENT II				270.0	0.0	270.0					
C2.1.1	International consultants (2 individuals) supporting development of guidelines on implementation of MTEF&FFs and revision of templates/ forms	2(d)	Post	CS	180.0		180.0	SSS	2/2013	4/2013	9/2013	in progress
C2.1.2	Local consultants (3-5 individuals) supporting development of guidelines on implementation of MTEF&FFs and revision of templates/ forms	2(d)	Post	CS	90.0		90.0	SSS	2/2013	4/2013	9/2013	in progress
	COMPONENT III				317.0	0.0	317.0					
C3.1.1	International consultant support assessment of Component 3's impacts	3(a)-1	Post	CS	30.0		30.0	IC	12/2012	2/2013	8/2013	in progress
C3.1.9	Local consultant supporting development of mid-term debt management program for 2013-2015	3(a)-2.2	Post	CS	20.0		20.0	IC	5/2012	6/2012	9/2013	in progress
C3.1.10	Local consultant support development of a plan for debt management reform in accordance with DeMPA standards	3(a)-2.3	Post	CS	20.0		20.0	IC	5/2012	6/2012	9/2013	in progress
C3.1.11	International consultant support development of public debt management reform action plan	3(a)-2.3	Post	CS	35.0		35.0	IC	2/2013	4/2013	10/2013	
C3.1.12	Local consultant for establishment of website for Debt Management and External Finance Department	3(a)-2.4	Post	CS	20.0		20.0	IC	5/2012	6/2012	1/2013	
C3.1.16	International consultant support development of handbook/guidelines for ISDA Contract negotiations	3(a)-2.6	Post	CS	30.0		30.0	IC	12/2012	2/2013	8/2013	in progress
C3.1.17	Local consultant support development of handbook/guidelines for ISDA Contract negotiations	3(a)-2.6	Post	CS	20.0		20.0	IC	12/2012	2/2013	8/2013	in progress
C3.1.18	International consultant support study on international experiences on sub-governmental debt management	3(a)-2.6	Post	CS	35.0		35.0	IC	2/2013	3/2013	9/2013	
C3.1.25	Local consultant support development of legal documents perfecting the legal framework for guarantees and on-lending	3(a)-3	Post	CS	25.0		25.0	IC	2/2013	3/2013	10/2013	

No.	Activities	Ref.	WB review	Proc. Type	Cost estimated			Proc. Method	Proc. Start	Proc. End	End Contract	Notes
					IDA	Gov't	Total					
C3.2.2	Local consultant support preparation of the development of public debt and risk management information system	3(b)-2	Post	CS	20.0		20.0	IC	2/2013	3/2013	9/2013	
C3.2.3	International consultant support development of a strategy for public debt and risk management information system development	3(b)-2	Post	CS	55.0		55.0	IC	12/2012	2/2013	9/2013	in progress
C3.3.2	Printing 2,000 copies of the Guiding Handbook for SOEs financial monitoring and performance assessment	3(c)-3	Post	G	7.0		7.0	S	2/2013	3/2013	9/2013	
COMPONENT IV					320.7	6.3	327.0					
C4.1.1	Component 1 Coordinator (2nd)	4(a)	Post	CS	16.7	6.0	22.7	IC	12/2012	2/2013	2/2014	in progress
C4.1.2	Consultant(s) to support project evaluation and closing, preparation of completion report	4(a)	Post	CS	198.0		198.0	CQS / ICs	4/2013	6/2011	2/2014	
C4.2.1	International consultant for follow-on project	4(b)	Post	CS	60.0		60.0	IC	5/2013	7/2013	10/2013	
C4.2.2	Local Consultant for follow-on project	4(b)	Post	CS	40.0		40.0	IC	5/2013	7/2013	10/2013	
C4.4.3	PMU equipment	4(c)	Post	G	6.0	0.3	6.3	NS	2/2013	3/2013	4/2013	
TOTAL					6,297.1	237.9	6,535.0					

Disbursement schedule during the extension period

(Unit: US\$1,000)

	Calendar Year 2013				Total
	Q1	Q2	Q3	Q4	
Component 1	3,638	5,859	2,857	892	13,246
Component 2	0	95	230	135	460
Component 3	183	165	529	248	1,125
Component 4	95	208	379	225	907
Total	3,916	6,327	3,996	1,500	15,738