

# Better Investment Outcomes in Viet Nam through Increased Public Investment Management Efficiency

Technical report

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## ACRONYMS AND ABBREVIATIONS

|                |                                                        |
|----------------|--------------------------------------------------------|
| <b>AIP</b>     | Annual Investment Plan                                 |
| <b>CEA</b>     | Cost-Effectiveness Analysis                            |
| <b>CL</b>      | Construction Law                                       |
| <b>CPO</b>     | Central Project Office                                 |
| <b>DARD</b>    | Department of Agriculture and Rural Development        |
| <b>DOF</b>     | Department of Finance                                  |
| <b>DONRE</b>   | Department of Natural Resources and Environment        |
| <b>DPI</b>     | Department of Planning and Investment                  |
| <b>ENPV</b>    | Economic Net Present Value                             |
| <b>FS</b>      | Feasibility Study                                      |
| <b>HCMC</b>    | Ho Chi Minh City                                       |
| <b>IMF</b>     | International Monetary Fund                            |
| <b>IP</b>      | Investment Plan                                        |
| <b>LFDC</b>    | Land Fund Development Centers                          |
| <b>MARD</b>    | Ministry of Agriculture and Rural Development          |
| <b>MCA</b>     | Multi-Criteria Analysis                                |
| <b>MOF</b>     | Ministry of Finance                                    |
| <b>MPI</b>     | Ministry of Planning and Investment                    |
| <b>MTEF</b>    | Medium-term Expenditure Framework                      |
| <b>MTIP</b>    | Medium-term Investment Plan                            |
| <b>O&amp;M</b> | Operations & Maintenance                               |
| <b>ODA</b>     | Official Development Assistance                        |
| <b>OECD</b>    | Organisation for Economic Co-Operation and Development |
| <b>PFS</b>     | Pre-Feasibility Study                                  |
| <b>PIL</b>     | Public Investment Law                                  |
| <b>PIM</b>     | Public Investment Management                           |
| <b>PIMA</b>    | Public Investment Management Assessment                |
| <b>PIMIS</b>   | Public Investment Management Information System        |
| <b>PL</b>      | Planning Law                                           |

|             |                                    |
|-------------|------------------------------------|
| <b>PM</b>   | Prime Minister                     |
| <b>PMU</b>  | Project Management Unit            |
| <b>POM</b>  | Project Operational Manual         |
| <b>PPC</b>  | Provincial People’s Committee      |
| <b>PPCc</b> | Provincial People’s Council        |
| <b>PPP</b>  | Public Private Partnership         |
| <b>PSDU</b> | Public Service Delivery Unit       |
| <b>SBL</b>  | State Budget Law                   |
| <b>SCBA</b> | Social Cost-Benefit Analysis       |
| <b>SME</b>  | Small and Medium Enterprise        |
| <b>SUUP</b> | Scaling up Urban Upgrading Project |
| <b>TA</b>   | Technical Assistance               |
| <b>TOR</b>  | Terms of Reference                 |
| <b>WB</b>   | World Bank                         |

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## Acknowledgement

The Better Investment Outcomes in Viet Nam through Increased Public Investment Management Efficiency technical report was prepared by Ms. Phuong Anh Nguyen (Senior Public Sector Specialist), Mr. Tuan Minh Le (Lead Economist), Mr. Jay-Hyung kim (Senior Public Sector Specialist), Mr. Simon Groom (Consultant) and Mr. Vu Cuong (Consultant) under the overall guidance of Ms. Mariam Sherman (Country Director for Vietnam, Laos and Cambodia), Ms. Lalita M. Moorthy (Regional Director), Mr. Oleksii Balabushko (Practice Manager, Institutions vertical), Ms. Alma Kanani (Practice Manager, Institutions vertical) and Ms. Katherine Whimp (Operations Manager).

## Executive Summary

### Overview

Viet Nam's long-term goal is to attain high-income status by 2045. Achieving a modern, industrialized and resilient economy with higher living standards will depend on well-designed government policy interventions, combined with well targeted, efficient and effective public expenditures. Among the latter, public investment will play a critical part in creating the environment for wealth creation and social welfare improvements. However, it will not just be the volume of public investment that counts but also the quality, and this will become more important as time goes by. As diagnostic studies have shown, the quality of public investment is currently compromised by fragmentation, duplication and inefficiency. Overcoming these difficulties will be a major challenge in meeting Viet Nam's development aspirations, which forms the broader context for the current Technical Report.

In addressing the challenge of improving the quality of public investment, the Technical Report<sup>1</sup> homes in on four potential hurdles that will need to be overcome: i) a complex and overlapping legal and regulatory framework for public investment management; ii) inefficiencies in managing the portfolio of ongoing and planned investment projects through the medium-term investment plan; iii) the absence of a standardised methods and documents for assessing project quality prior to a funding decision; and iv) obstacles to mobilising ODA in a timely way. The analysis in the Technical Report seeks to examine these four hurdles in depth and propose solutions.

A conducive legal and regulatory framework is the starting point for good public investment management. While the Public Investment Law is at the centre of public investment management in Viet Nam, it is only one element of a complicated ecosystem of laws and regulations with implications for the management of public investment projects. In view of this, the Public Investment Law is the focus of recommendations in the Technical Report, but the implications for other important legal instruments, such as the State Budget Law, the Construction Law and the Debt Management Law, are also reviewed where they become the bottlenecks to the process, although further in-depth analysis will be required to arrive at specific proposals for improving these other laws. The purpose of the current Technical Report is to probe more deeply than previous PIM assessments, using new sources of data and information to come up with more “bespoke” recommendations for Viet Nam. The Technical Report also maps the legal framework for PIM in detail, filling an important gap. Previous assessments were performed several years ago and there have been important changes since then, notably in the legal framework. It is therefore timely to assess whether these have had an effect on the findings and recommendations from the previous assessments.

The Technical Report contains the results of four new strands of work that were carried out separately but then brought together contribute to developing a richer understanding of PIM in Viet Nam and of the hurdles that need to be overcome to achieve efficiency improvements. The four elements are:

- A mapping of the legal framework for PIM against the 8 must-have functions and an analysis of gaps and inefficiencies in the legal framework, which is the foundation for a good PIM system – even if there is a gap between the de jure system and the de facto system (as the IMF PIMA analysis shows), without a good design of the de jure system there is no PIM system.
- An assessment of a representative province Medium Term Investment Plan to identify some of the symptoms of PIM inefficiencies, especially during project preparation, but also during

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<sup>1</sup> This report is prepared by Phuong Anh Nguyen, Simon Groom, Jay-Hyung Kim, Tuan Minh Le, Cuong Vu

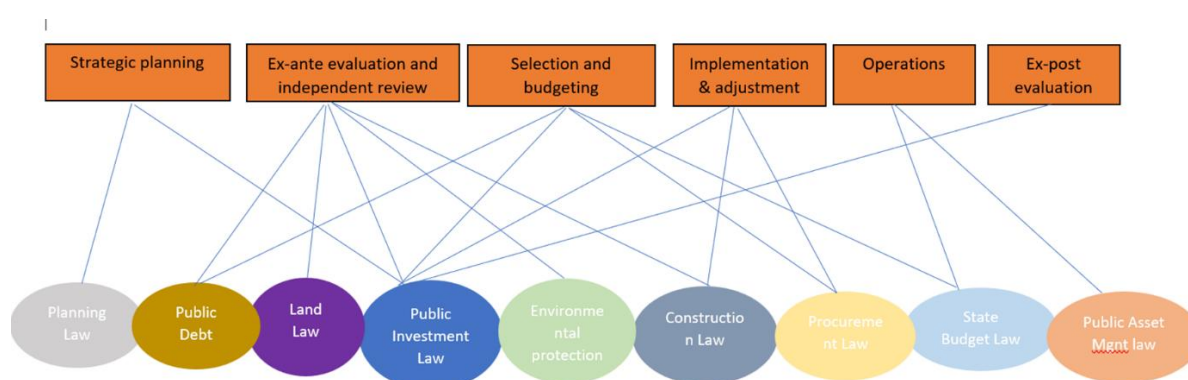
implementation. The same exercise also looks at broader portfolio management issues, especially with regard to information management.

- An assessment of pre-implementation documentation for a sample of representative province-level projects, to identify the current strengths and weaknesses of project preparation and the potential consequences for the efficiency of project implementation.
- An assessment against the 8 must-have functions of the strengths and weaknesses in project preparation and implementation for a sample of ODA projects, with lessons for both ODA and national projects.

### Mapping of the Legal Framework

Viet Nam has a complex and fragmented legal framework for PIM, more so than other countries. PIM is governed by numerous laws and decrees (see figure), some of which are inconsistent and others of which provide parallel tracks for different types of project or different funding streams.

**Figure ES1: Mapping of Legislation for the PIM Cycle**



The legal basis for the PIM system is established through dedicated primary legislation (the Public Investment Law), which is separate from the primary legislation dealing with public financial management (the State Budget Law). This dichotomy has its origins in Viet Nam's dual budgeting system, where budgeting for recurrent and capital expenditure is carried out separately. While dual budgeting is not uncommon internationally, in few countries it is so firmly embedded in the high-level legal framework through a dedicated law on public investment.

The applicable primary legislation for the pre-implementation phase does not apply to all projects, there being parallel primary legislation – the Construction Law - for projects with a construction component, which represent the majority of public investment in value terms. This parallel legal structure means that the Construction Law, not the Public Investment Law, governs: i) major projects with construction components at preliminary screening stage (Investment Policy Decision); and ii) all projects with a construction component at ex-ante evaluation stage (Investment Decision).

Prepared at the same time, the Public Investment Law and the Construction Law are reasonably well harmonized, but this does not get away from the fact that authority over the PIM system is divided between the Ministry of Planning and Investment, mandated through the Public Investment Law, and the Ministry of Construction, mandated through the Construction Law.

While capital budget allocation follows the Public Investment Law, recurrent budget allocation follows the State Budget Law. The original Public Investment Law was issued in 2014, before the revised State Budget Law, which was issued in 2015. The result of this difference in timing is that the original Public Investment Law did not reflect important reforms concerning medium-term expenditure planning that are built into the State Budget Law. Furthermore, the subsequent revision of the Public Investment Law in 2019 has not taken account of these reforms. Hence the medium-term investment plan and medium-term expenditure plan remain two separate documents, neither of which provide meaningful projections of baseline expenditures for determining the fiscal space for allocating of funding to new investments. The issue with regional program/projects also requires the amendments of both the Public Investment Law and the State Budget Law as the latter stipulates that one government level budgetary unit cannot make expenditures on behalf of another government level. Lack of a clear definition of the difference between capital and recurrent expenditure in the regulations also causes the confusion when it comes to which legislation to follow.

In addition, ODA projects are subject to other primary legislation such as the public debt management law, international treaty law and a decree under the Public Investment Law. These additional requirements introduce a more complicated pre-implementation process for ODA projects, involving an additional step and a different hierarchy of decision making compared to projects funded purely through the national budget.

#### Assessment of Province Medium Term Investment Plan

The analysis of the 2021-2025 MTIP portfolio of major projects with funding allocations has revealed that a large share of the portfolio, around three quarters both in terms of numbers of projects and total value, consists of projects carried over from the previous MTIP. Plans are already in place to carry over projects from the 2021-2025 portfolio into the 2026-2030 MTIP, including a few projects first allocated funding in the 2016-2020 MTIP.

Significant delays resulting from adjustments made during project preparation have contributed to delays in commencing implementation and the need to carry projects over from one MTIP to the next. The average preparation time for a project requiring adjustment during preparation was more than double that for projects experiencing no adjustment. Even so, the total preparation time, even allowing for adjustment, is significantly below averages for OECD countries. This should probably not be interpreted as meaning that Viet Nam is more efficient at preparing projects: a longer, properly resourced and more flexible preparation process could lead to fewer and shorter delays during implementation.

Some projects experience cost adjustment during project preparation, but not that many and generally not by a very significant amount. Significant cost adjustments would usually be expected between concept and feasibility study, but this is not the case in Viet Nam, where costs are pinned down at concept stage, leaving little room for manoeuvre except through the cumbersome adjustment process. The incentive is therefore to stay within the original cost estimate and, probably, to adjust “below the radar” through changes to outputs and their quality (although there is not data to confirm this).

Two thirds of the carryover projects in the MTIP are expected to exceed the mandatory 4 years maximum implementation period for Group B projects.

Issues with data collection, quality and completeness confirm that no single body has responsibility for overall monitoring and management of the MTIP portfolio. Information is collected on a piecemeal basis and there is not central repository of reliable and up-to-date information for portfolio management purposes. The type of information that is kept at the DPI is not detailed enough nor collected on

sufficiently systematically to generate meaningful reports for decision makers. Hence there is a need to request data on an ad-hoc basis from the project management units (PMUs).

#### Assessment of a Sample of Province-Level Pre-Implementation Documents

All project documents for the Investment Policy Decision stage do a good job of setting out the nature of the problem/opportunity to be addressed and the strategic relevance of the project, relating the projects to the higher-level planning framework. On the negative side, there are consistent weaknesses across projects in ratings for analysis of alternative options to the project, preliminary analysis of risk, including climate change risk, and preliminary assessment of operational sustainability. Lifecycle costing in the sample is partial and the quality of demand analysis is patchy between documents. Overall, compared to international good practice, it is apparent that concepts are less fully developed at the point where a decision is taken to move to a feasibility study, even though this is the most important decision in the Vietnamese context.

It is less easy to draw a consistent set of conclusions from the documentation (feasibility studies) for the Investment Decision Stage because, compared to the previous stage, there is greater variability in quality across the sample. Implementation planning and environmental and social impact assessments are relatively well done, and some projects in the sample (but not necessarily the same ones) have reasonable demand forecasts, apply social cost-benefit analysis, undertake sensitivity analysis and examine project alternatives. These are the more positive areas; otherwise, minimum requirements were not satisfied for analysis of risk and of operational feasibility. The sample project documents are also weak when it comes to financial analysis, climate change and monitoring and evaluation arrangements.

The overarching conclusion is that there is a lack of standardization in the approach to preparing investment policy proposals and feasibility studies. The result is unevenness in the content and quality of project documents, with significant gaps and inconsistencies between projects. While the sample was small and not necessarily random, the findings are in line with other country-wide and province-specific assessments, which identified similar weaknesses, which are likely to lead to problems during implementation and operation.

#### Assessment of a Sample of ODA Projects

As highlighted in the legal gap assessment, ODA projects are subject to more rigorous review because loan-funded projects create sovereign debt. During preparation, additional steps for projects that are funded by ODA and concessional lending include project proposal, negotiation and signing in line with international treaty law. During project implementation, there are also gaps in between the government regulations and donor practices that require a special mechanism for such projects. Examples include the social and environment safeguard and procurement standards.

Some ODA projects sampled in this report have been caught out by legal changes that have been applied retrospectively to projects originally prepared under a different legal regime. These are transitional issues, but the assessment has also revealed other issues that are more systemic.

The main finding from the assessment of a sample of ODA projects is that poor cost estimation during project preparation, beginning at concept stage, leads to repercussions throughout project implementation. Under-estimating land compensation and resettlement costs has been the main cause of later problems. Sometimes under-estimation has been deliberate to keep within allocations for counterpart funding (land compensation must usually be funded from domestic budgetary resources), but often it results from the regulated land compensation system in Viet Nam, which does

not reflect market realities. Recent legal changes may improve the regulatory dimension of the problem, but these are not in force yet and it is too early to say what their impact will be. Mismatches between donor requirements and national practices for land compensation also cause implementation delays.

Overall, project preparation is under-funded leading to quality issues and future implementation problems. As well as under-funding, the lack of a uniform set of project preparation guidelines leads to divergences in the methods and coverage of project preparation.

Systematically unreliable cost estimates, especially for land clearance, also highlight the lack of a strong independent review function, which should in a good practice system pick up such weaknesses in project preparation.

Evidence of downsizing of some projects, unrelated to budget constraints, suggests that the notion of a “project” is a fluid concept, rather than a mechanism to deliver a defined set of outputs required to achieve specific and measurable outcomes.

Weak coordination between levels of government during project preparation and adjustment has been a feature of projects with province-level components, leading to long delays. Decentralised modalities for preparing and implementing ODA projects at province-level have recently been introduced, which should simplify procedures; however, there still need to be minimum levels of central coordination at the policy and capacity building levels.

In general, the move to more professional provincial PMUs is benefiting the efficiency of project implementation; however, minimum levels of coordination and information sharing with sector departments are still required but are not being met. Overall, responsive monitoring for ODA projects is not being performed: timely information on implementation progress is not being pulled together and responsibility for following up on poor performance is diffuse.

Beyond donor requirements, ex post review of completed projects is not being performed, despite legal requirements. The lack of detailed guidance and the lack of a designated entity to oversee implementation of this requirement are partly to blame.

The main recommendations of this Technical Report are presented in Table ES1.

**Table ES1: Main Recommendations**

| Issue                                                                                                                                                               | Recommendation                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fragmented legal basis for PIM and diffuse accountabilities.                                                                                                        | Streamline the primary legislation to consolidate the legal basis for the core PIM system in one place and to give the mandate for high-level coordination of PIM to a single agency.                                                                                                                                                                            |
| Absence of up-to-date and comprehensive reporting on implementation progress at the portfolio level for management and budgeting purposes especially for provinces. | Reinforce the portfolio monitoring and management function performed by MPI at national level and by DPI at province level, and equip the responsible bodies with the tools, including a PIM information system, and the adequate authority (and associated sanctions) to collect accurate and timely portfolio data.                                            |
| No standardised methodologies for analyzing projects at key stages of the PIM cycle, leading to inconsistent approaches and information gaps.                       | Give explicit legal authority to the MPI in the PIL to develop and promulgate (through circulars) detailed methodological guidelines for preparing technical documentation for preliminary screening (Investment Policy Decision), ex-ante evaluation (Investment Decision) and ex post review (terminal assessment and impact evaluation), and include specific |

| Issue                                                                                                                                                                                                            | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                  | guidance for assessing climate change considerations in methodologies.                                                                                                                                                                                                                                                                                                                                        |
| Cumbersome adjustment processes – almost equivalent to approval of a new project - for small changes identified during project preparation and implementation, leading to excessive rigidity.                    | Within defined limits (say 20% cost variation), drop the requirement for adjustment of the Investment Policy Decision if a feasibility study identifies differences in key variable. Require that priority must be given to directing unallocated MTIP funding to cover such “within-limits” cost increases                                                                                                   |
| Long lead times between Investment Policy Decision and Investment Decision, resulting in out-of-date project information, especially costs.                                                                      | Introduce the idea of a “expiration date” for Investment Policy Decisions, so that after a specified period, say 2 years, they are no longer valid, unless they have been acted upon (i.e., feasibility study preparation has commenced), and must be renewed.                                                                                                                                                |
| Quality control during the project preparation does not filter out weaker project concepts and project designs.                                                                                                  | Make explicit allowance in the legal framework at the level of the PIL for the rejection of a project (and exclusion from the MTIP) by appraisal committee (or equivalent) based on negative pre-feasibility/feasibility study findings at either Investment Policy Decision stage or Investment Decision stages and specify that an Investment Policy Decision can be reversed at Investment Decision stage. |
| Fragmented review of project proposals, involving actors who are not necessarily objective and accountable and with no definitive recommendation on project viability.                                           | Strengthen review of documentation at preliminary screening (Investment Policy Decision) and ex-ante evaluation (Investment Decision) stages so that it is coordinated by a single body - MPI nationally and DPIs at province-level – covers all dimensions of project feasibility and results in a single formal recommendation (not a collection of opinions) to decision makers.                           |
| Public Investment Law does not have explicit provision for medium-term (3-year) budget planning, leading to resistance to applying the provisions of the State Budget Law in relation to investment expenditure. | Harmonize the Public Investment Law and the State Budget Law to ensure efficient annual budgeting of both capital and recurrent expenditure within a rolling medium-term framework, including a clear definition of the capital expenditure baseline and a requirement to make projections of it (supported by the development of necessary information systems).                                             |
| Potential for under-funding of carryover projects where construction has started and automatic carryover of approved concepts without verification of their continued relevance.                                 | Make the rules for carryover from one MTIP to the next more stringent so that only projects that are genuinely ongoing are automatically carried over and at the same time drop the 20% carryover rule so as to ensure full funding of genuine ongoing projects.                                                                                                                                              |
| Cumbersome adjustment procedures during implementation leading to rigidities and no system for identifying genuine problem projects.                                                                             | Allow for more flexibility during implementation by defining thresholds below which adjustments can be made without recourse to complex adjustment processes and beyond which a project must be submitted for enhanced monitoring and/or formal adjustment.                                                                                                                                                   |
| No formal process for identifying and resolving projects where implementation is so severely off                                                                                                                 | Establish in law a mechanism for defining and resolving projects that are failing, including procedures for rescoping or, as a last resort, permanently stopping such projects.                                                                                                                                                                                                                               |

| <b>Issue</b>                                                                                                                                           | <b>Recommendation</b>                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| track as to threaten project success.                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                      |
| Weak capacities for estimating market-based land compensation and lack of conformity with international practice.                                      | Ensure adequate resourcing of human and financial cost estimation of land compensation (LFDCs) and harmonize the national compensation methodology with international practice.                                                                                                                                                                      |
| <b>Recommendations for ODA Projects</b>                                                                                                                |                                                                                                                                                                                                                                                                                                                                                      |
| No mechanism for assuring adequate central coordination of multi-province projects.                                                                    | Explore a new model for an investment program (e.g., regional program) that is managed by the central government and includes clusters of several projects at the local government level with the same objective and activities, aligns ODA lending to the investment program objectives and avoids negotiations over multiple projects with donors. |
| Delays in approving Project Proposals (additional stage for ODA projects)                                                                              | Introduce and enforce streamlined procedures, including assessment criteria, and timeline for review of Project Proposals.                                                                                                                                                                                                                           |
| Concurrent project preparation and fiscal management activities leading to delays in quality controlling projects.                                     | The envelop for ODA and concessional lending has to be determined upstream when preparing the medium-term debt plan and medium-term investment plan when estimating the fiscal space for the MTIP before proposing for projects (Art. 47, 48)                                                                                                        |
| External financing can only finance capital investment projects, which hinder the investment in social sectors and use ODA for recurrent expenditures. | Allow the use of ODA and concessional lending for soft infrastructures such as digital transformation projects and one-off recurrent expenditure as part of the capital investment projects.                                                                                                                                                         |
| Cumbersome hierarchy of decision making for ODA projects that differs from that for projects funded purely from the national budget.                   | Delegate the approval authority of investment policy and investment decision of group A projects using ODA and concessional loan to the People's Committee (harmonize with the government-funded projects).                                                                                                                                          |
| Gap between government regulations and development partners' policy in environmental and social safeguard and procurement standards                    | Amend the international treaty law to allow international good practice to be applied for ODA projects when there is gap between national and donors' policy before the project signing.                                                                                                                                                             |

## 1. Introduction

### 1.1. Background and Purpose of the Technical Report

1. Viet Nam's long-term goal is to attain high-income status by 2045. Achieving a modern, industrialized and resilient economy with higher living standards will depend on well-designed government policy interventions, combined with well targeted, efficient and effective public expenditures. Among the latter, public investment will play a critical part in creating the environment for wealth creation and social welfare improvements. However, it will not just be the volume of public investment that counts but also the quality, and this will become more important as time goes by. As diagnostic studies have shown, the quality of public investment is currently compromised by fragmentation, duplication and inefficiency. Overcoming these difficulties will be a major challenge in meeting Viet Nam's development aspirations. This forms the broader context for the current Technical Report, which looks in depth at potential hurdles to improving the quality of public investment through better public investment management.
2. There have been two recent diagnostic studies looking at the effectiveness of Viet Nam's national public investment management (PIM) system, one by the World Bank and one by the IMF, and both published in 2018. These two assessments came to broadly similar conclusions about the strengths and weaknesses of the system. The main findings of the World Bank diagnostic study are summarized in Box 1.1. Despite the revision of the Public Investment Law in 2019 (PIL 2019), most of the recommendations of the two diagnostic studies remain largely unaddressed and many of the challenges identified persist.
3. The main purpose of the current Policy Technical is to probe more deeply than previous assessments, using new sources of data and information to come up with more "bespoke" recommendations for Viet Nam. Supporting this main purpose this assessment also maps the legal framework for PIM in detail, filling an important gap. The previous assessments were performed several years ago and there have been important changes since then, notably in the legal framework. It is therefore a good time to assess whether these changes have had an effect on the findings and recommendations from the previous assessments.
4. The Technical Report looks closely at the legal and regulatory framework for PIM, focusing mainly on the Public Investment Law, particularly when it comes to recommendations because changes to this law are a priority and, opportunely, it is in the process of being revised. However, the focus on the Public Investment Law is not to the exclusion of consideration of other legal instruments and the changes that are also required beyond the Public Investment Law.
5. Many recommendations from the previous assessments (Box 1.1) were not implemented. This includes the need for having a good filtering system to screen projects at appraisal stage. In addition, there is no mechanism to stop a project when it fails to deliver its intended objectives. The separation between capital and recurrent budget cause underfunding of operating and maintenance after infrastructures are built. Weaker capacity to implement projects is still witnessed especially at the provincial level. Impact assessment is not done after the projects are completed.

### **Box 1.1: Main Challenges Identified in the 2018 World Bank PIM Diagnostic Assessment**

- (i) Viet Nam has a large number of strategic documents, but they lack the coherence and realism necessary to provide strategic guidance for public investment. First-level screening also has a narrow scope.
- (ii) The practical status of project appraisal in the broader system remains ambiguous, and elements of good practice in project appraisal have not yet been fully operationalized.
- (iii) The necessity for some form of independent review of project proposals is recognized in the legislation, but the design falls short of a fully impartial review of the feasibility study and appraisal findings.
- (iv) Criteria/principles for selecting projects for budget funding are defined in the State Budget Law (SBL) and PIL, but they are not very precise, and lack a strong policy orientation, as far as selecting new projects is concerned. Their application is also, in practice, not very transparent or consistent.
- (v) Project management arrangements in Viet Nam are generally sufficiently robust, but there is scope for further strengthening and for addressing weaknesses in application, particularly at the province level.
- (vi) Further work needs to be done so that the MPI is in a position to be able to identify projects with a high risk of delivery failure and then to ensure that adequate steps are being taken to bring them back on track and, in the worst cases, close them down.
- (vii) Shortfalls in funding for recurrent expenses are frequent, especially with respect to maintenance expenditures, which are consistently under-funded.
- (viii) While Viet Nam has now established a firm legal and regulatory basis for ex post evaluation, impact assessments are rarely performed, except for ODA projects, and lesson learning is not a strong feature of completion reports.

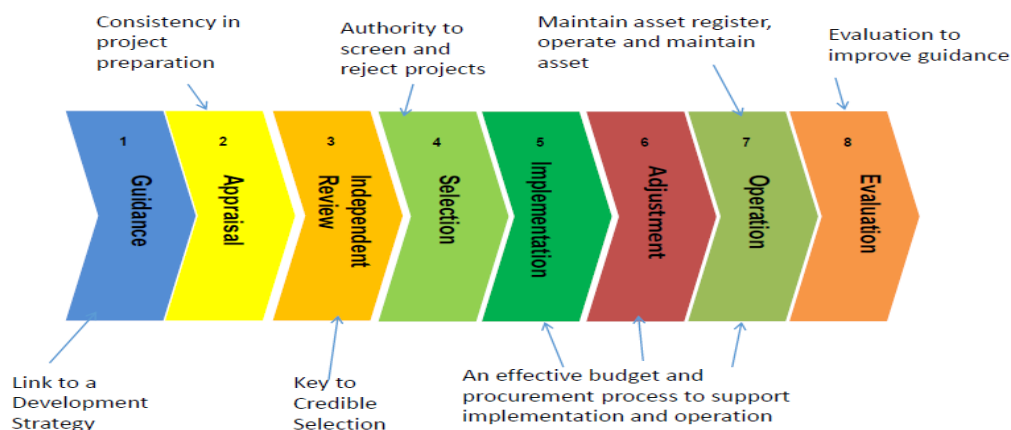
## **1.2. Approach and Structure**

6. The Technical Report is grounded in the World Bank's assessment framework (as illustrated in Figure 1.1). The assessment framework is built around eight key functions – also referred to as stages, since the functions are sequential - of public investment management. Throughout the assessment, this framework will be the reference point for benchmarking Viet Nam's PIM system against international good practice. Indeed, Section 2 and Section 3.3 are structured around this framework.

**Figure 1.1: 8 “Must-Have” Functions of PIM<sup>2</sup>**

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<sup>2</sup> In the rest of the report, ‘appraisal’ is referred to as ‘ex-ante evaluation’. This is to avoid confusion because ‘appraisal’ has a broader meaning in Viet Nam.



Source: The Power of Public Investment Management: Transforming Resources into Assets for Growth (World Bank, 2014)

7. The Technical Report contains the results of four new strands of work that were carried out separately but then brought together contribute to developing a richer understanding of PIM in Viet Nam and of the hurdles that need to be overcome to achieve efficiency improvements. The four elements are:
  - I. A mapping of the legal framework for PIM against the eight must-have functions and an analysis of gaps and inefficiencies in the legal framework, since a strong de jure system is usually the starting point for strong PIM<sup>3</sup>, although ultimately how the legal system is applied (the de facto system) will determine PIM outcomes (as the IMF PIMA analysis shows).
  - II. An assessment of a representative province Medium Term Investment Plan (MTIP) to identify some of the symptoms of PIM inefficiencies, especially during project preparation, but also during implementation. The same exercise also looks at broader portfolio management issues, especially with regard to information management.
  - III. An assessment of pre-implementation documentation for a sample of representative province-level projects, to identify the current strengths and weaknesses of project preparation and the potential consequences for the efficiency of project implementation.
  - IV. An assessment against the eight must-have functions of the strengths and weaknesses in project preparation and implementation for a sample of ODA projects, with lessons for both ODA and national projects.

<sup>3</sup> See Chapter 3 of the World Bank's Public Investment Reference Guide, 2020

## **Box 1.1: Rationale Behind the World Bank's eight sequential Must-Have PIM Functions**

### **Strategic Guidance and Preliminary Screening [Function 1]**

Authoritative strategic guidance and a process for screening projects for appraisal is the starting point for PIM. Project identification and concept development needs to be based soundly in a strategic planning framework, which guides early investment choices and provides a basis for testing these choices in terms of their potential contributions towards achieving policy objectives. This stage is also the time to consider, in preliminary terms at least, the scope of the project in terms of its scale and boundaries, including lines of management and accountability. A formal screening process should be in place to verify that project concepts align with strategic plans and that they have the potential to be feasible and sustainable.

### **Ex-ante Evaluation [Function 2] and Independent Review [Function 3]**

Appraisal is the point in the project cycle when a decision in principle is taken to proceed with a project based on rigorous assessment of its expected net worth to society compared to alternative uses of the same resources. It is based on adequate preparation and robust analysis, backed up by objective review. The decision hinges on the balance between costs and benefits (however this balance is assessed – whether through a quantitative tool like social cost-benefit analysis or through a qualitative assessment) and on the acceptability of the risks attaching to the project. Divergences between the project approved at appraisal and the project that is implemented should not be outside specified tolerances; if substantive differences emerge re-appraisal is required (see 'adjustment' below). Suitably accurate cost estimates are critical to good appraisal. A technical and economic feasibility study, prepared according to a robust and uniform methodology, is usually the informational foundation for appraisal.

### **Project Selection and Budgeting [Function 4]**

New projects should be selected for budget funding using transparent criteria, which include surety of funding through to completion and a positive appraisal decision based on a realistic feasibility study. It is important that decisions to fund the implementation of projects are made in the knowledge that there will be adequate provision for the total cost of a project, not just for the coming budget year. Determining if this criterion is met becomes more difficult if there is a high degree of uncertainty concerning total costs. If projects are approved for budget funding based on out-of-date or unreliable studies, especially in relation to cost estimates, then implementation problems are likely to ensue. Such problems can include budget shortfalls, overrunning schedules and changes to the specification of project outputs, either in volume or quality terms.

### **Project Implementation [Function 5] and Adjustment [Function 6]**

Competitive, transparent and contestable procurement arrangements are important for achieving economy in project implementation. Well designed project management is essential for delivering projects on time, to budget and to specification. During implementation regular and active monitoring is important so that off-track projects are identified early and corrective actions taken. Projects that are severely under-performing compared to pre-defined thresholds will need to be re-assessed and resolution measures – changes in scope, suspension or cancellation - identified.

### **Operations [Function 7]**

Adequate funding for operations and maintenance (O&M), together with appropriate management arrangements and asset management policies, are essential for sustainable delivery of project benefits.

### **Ex Post Review [Function 8]**

Planners and decision-makers need to know whether projects have been successful in meeting their developmental objectives so that corrective actions can be taken and the planning of future projects benefits from any lessons learnt. Post-construction monitoring of project performance during operation and planned assessments of projects against their specific objectives and planned developmental impacts are required. Mechanisms for ensuring lessons are learned and fed back into project design and strategic planning are also necessary.

Source: The Power of Public Investment Management: Transforming Resources into Assets for Growth (World Bank, 2014).

## 2. Analysis of the Legal Framework for PIM

### 2.1. Legal Framework Governing Government-Funded Projects

8. A mapping of the legal framework against the eight PIM functions has been carried out and is presented as Annex 1. For ease of presentation, some of the functions have been merged. The main features of the legal framework will be summarized here, while a full technical details are presented in Annex 1.
9. A model legal framework for PIM can be conceptualised as consisting of three tiers, as shown in Box 2.1.

#### **Box 2.1: Conceptual Model of Hierarchical Legal Framework for PIM**

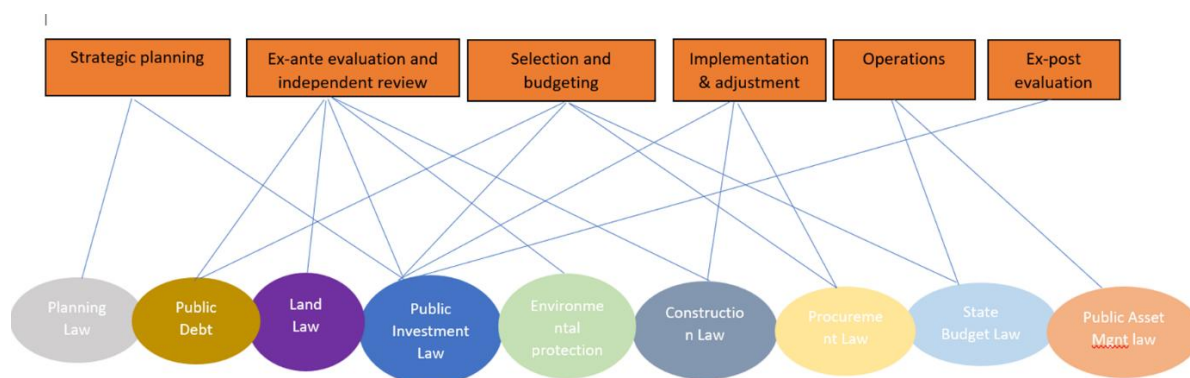
- *Tier 1: legal authority for the PIM system.* Usually established through some form of primary legislation.
- *Tier 2: basic procedural guidelines, high-level decision criteria, roles and responsibilities, and designation of analytical tools.* Often established in governmental or ministerial regulations, or the equivalent (often referred to as secondary legislation), issued under the authority of primary legislation, but looser and tighter arrangements may be possible or necessary, depending on country circumstances.
- *Tier 3: methodological guidance, detailed criteria, standardized parameter values, and procedural documentation.* Generally issued directly by the PIM coordinating agency (finance ministry or other) in the form of manuals, templates, and circulars, under the authority granted to it by the primary legislation. In some countries such guidance may require a stronger legal basis to give it adequate force.

Source: Public Investment Management Reference Guide, World Bank, 2020

10. Viet Nam's legal framework has the three levels shown in Box 2.1, represented by laws (Tier-1), decrees (Tier-2) and circulars (Tier-3). The complication is that at Tier-1 there are several laws of consequence for system design, as presented in Table 2.1. None of the laws has a higher authority than any other, and the proper functioning of the system is therefore dependent on adequate alignment and consistency of application across laws that sometimes operate in parallel to each other, depending on the PIM functions concerned.
11. In terms of the eight key PIM functions, the most important applicable laws are:
  - Function 1: Strategic guidance and preliminary screening – Planning Law and Public Investment Law (PIL)
  - Function 2&3: Ex-ante evaluation and independent review – Public Investment Law, Environmental Protection Law, Land Law and Construction Law (CL)
  - Function 4 &5: Selection & budgeting – State Budget Law (SBL) and Public Investment Law

- Function 6: Implementation and adjustment – Public Investment Law, Construction Law, Procurement Law and Land Law
- Function 7: Operations – State Budget Law and Law on Management and Use of Public Assets
- Function 8: Ex post review – Public Investment Law

**Figure 2.1: Legal mapping of the PIM cycle**



12. As presented in Figure 2.1 and Table 2.1, Viet Nam has a legislative framework that establishes a complete PIM system that, in terms of its high-level structure, conforms with international good practice. Most importantly, the pre-implementation phase includes a 2-step decision-making process, with the first step – the Investment Policy Decision - focusing on a project’s strategic relevance and rationale and the second step – the Investment Decision - focusing on technical and economic feasibility.
13. The unusual features of the high-level design of Viet Nam’s PIM system are:
- The legal basis for the PIM system is established through dedicated primary legislation (the Public Investment Law), which is separate from the primary legislation dealing with public financial management (the State Budget Law). This dichotomy has its origins in Viet Nam’s dual budgeting system, where budgeting for recurrent and capital expenditure is carried out separately. While dual budgeting is not uncommon internationally, in few countries it is so firmly embedded in the high-level legal framework through a dedicated law on public investment.
  - The applicable primary legislation for the pre-implementation phase does not apply to all projects, there being parallel primary legislation – the Construction Law - for projects with a construction component, which represent the majority of public investment in value terms. This parallel legal structure means that the Construction Law, not the Public Investment Law, governs:
    - major projects with construction components at preliminary screening stage (Investment Policy Decision); and

- b. all projects with a construction component at ex-ante evaluation stage (Investment Decision).

14. Prepared at the same time, the Public Investment Law and the Construction Law are reasonably well harmonized, but this does not get away from the fact that authority over the PIM system is divided between the Ministry of Planning and Investment (MPI), mandated through the Public Investment Law, and the Ministry of Construction (MoC), mandated through the Construction Law.

The original Public Investment Law was issued in 2014, before the revised State Budget Law, which was issued in 2015. The result of this difference in timing is that the original Public Investment Law did not reflect important reforms concerning medium-term expenditure planning that are built into the State Budget Law. Furthermore, the subsequent revision of the Public Investment Law in 2019 has not taken account of these reforms. The two plans still co-exist and follow two different budgeting processes.

**Table 2.1. Viet Nam's Legal Framework for Public Investment Management**

| Law                                        | Date Issued<br>(Date Effective)                      | Key Features                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Public Investment Law (PIL)                | 2019 (January 1, 2020)<br><br>(revision of 2014 law) | <ul style="list-style-type: none"> <li>• Systematic and proportionate procedures for 2-stage screening and decision making</li> <li>• Defers to Construction Law for projects with construction components</li> </ul>                                                                                                                                                     |
| State Budget Law (SBL)                     | 2015 (January 1, 2017)                               | <ul style="list-style-type: none"> <li>• Defers to Public Investment Law for capital budgeting, confirming Viet Nam's dual budgeting system and primary role of MPI</li> </ul>                                                                                                                                                                                            |
| Construction Law (CL)                      | 2020 (January 1, 2021)<br><br>(revision of 2014 Law) | <ul style="list-style-type: none"> <li>• Regulates land-use planning to a high level of detail</li> <li>• Regulates stage 1 screening for major construction projects and stage 2 screening for all construction projects</li> </ul>                                                                                                                                      |
| Law on Management and Use of Public Assets | 2017 (January 1, 2018)                               | <ul style="list-style-type: none"> <li>• Requires state authorities to manage the use, protection, maintenance, and repair of public property</li> <li>• Requires Ministry of Finance to maintain a national database of public property for which other authorities must provide information</li> <li>• Promotes digitization of information on public assets</li> </ul> |

|                                 |                        |                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Planning Law (PL)               | 2017 (January 1, 2019) | <ul style="list-style-type: none"> <li>• Mandates elaboration of city-provincial and regional plans</li> <li>• Calls for establishment of digital national planning information system and database</li> </ul>                                                                                                                      |
| Law on Environmental Protection | 2020 (January 1, 2022) | <ul style="list-style-type: none"> <li>• Requires environmental impact assessments for all projects subject to investment policy decisions by the National Assembly, government, and prime minister, together with those in environmentally sensitive areas and those involving important polluters</li> </ul>                      |
| Procurement Law                 | 2023 (January 1, 2024) | <ul style="list-style-type: none"> <li>• Regulates the selection of consultants, suppliers and contractors for implementation of public investment projects</li> </ul>                                                                                                                                                              |
| Land Law                        | 2024 (January 1, 2025) | <ul style="list-style-type: none"> <li>• Regulates valuation process for land acquisition for public projects. 2024 revision introduces market-based valuation but will take capacity building efforts to implement in full and only comes into force in 2025. In the interim, regulated land valuation methods prevail.</li> </ul> |

Source: “Institutional Readiness Assessment for Digital Innovations in Public Investment Climate Change Screening: The Case of Vietnam”, World Bank, 2021

15. The unusual features of Viet Nam’s high-level legal framework for PIM exposes Viet Nam’s system to the risk of duplication, inconsistencies and gaps. Section 2.3 examines the extent to which these issues arise. The absence of a single authority with overall responsibility for the PIM system makes any such issues more difficult to resolve.

16. The two lower tiers of the legal framework are shown in Table 2.2, which lists the most important decrees and circulars issued under the authority of each law. It is notable from Table 2.1, that the legal framework is relatively sparsely populated at Tier-3, the level at which detailed instructions and methodologies are usually issued. This implications of this are discussed in more depth in Section 2.3.

**Table 2.2: 3 Tiers of Viet Nam's Legal Framework for PIM**

| Legislative hierarchy | Public Investment                                                                                                                                                                                                                                    | Construction                                                                                                                                          | Procurement                                                                                                                    | Financial                                                                                                                                               |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| I - Law               | Masterplanning Law (2017)                                                                                                                                                                                                                            | Construction Law 2020                                                                                                                                 | Procurement Law 2023                                                                                                           | State Budget Law (SBL) 2015                                                                                                                             |
|                       | Public Investment Law (PIL) 2019                                                                                                                                                                                                                     |                                                                                                                                                       |                                                                                                                                | Law on Management and Use of Public Assets (2017)                                                                                                       |
|                       | Law 03/2022/QH15 on Revising and Amending some articles in PIL, PPP Law, Investment Law, Housing Law, Procurement Law, Electricity Law, Enterprise Law, Law on Excise Tax, and Law on Civilian Law Enforcement (2022).                               |                                                                                                                                                       |                                                                                                                                | Law on Public Debt Management (2017)                                                                                                                    |
| II - Decree           | Decree 40/2020/ND-CP dated 06/04/2020 guiding Implementation of Some Provisions in PIL                                                                                                                                                               | Decree 10/2021/ND-CP dated 09/02/2021 on Construction Cost Management                                                                                 | Decree 24/2024/ND-CP dated 27/02/2024 stipulating Some Guiding Provisions for Implementing Procurement Law on Bidder Selection | Decree 45/2017/ND-CP dated 21/4/2017 providing specific guidance on development of five-year financial plan and three-year financial and budgetary plan |
|                       | Decree 29/2021/ND-CP dated 26/03/2021 stipulating Procedures and Process for Appraising Nationally Important Projects and Investment M&E                                                                                                             | Decree 15/2021/ND-CP dated 03/03/2021 stipulating Some Specific Contents on Construction Project Management                                           |                                                                                                                                | Decree No. 97/2018/ND-CP dated June 30, 2018 of the Government on on-lending of the Government’s ODA loans and foreign concessional loans;              |
|                       | Decree No. 114/2021/ND-CP dated December 16, 2021 on management and use of official development assistance (ODA) and concessional loans provided by foreign donors;                                                                                  | Decree 06/2021/ND-CP dated 26/01/2021 stipulating Some Specific Contents on Quality Assurance of Work Performance and Maitenance of Construction Work |                                                                                                                                | Decree 79/2021/ND-CP on amending articles of Decree 97/2018/ND-CP on the on-lending of official development assistance;                                 |
|                       | Decree 20/2023/ND-CP amend Decree 114/2021/ND-CP use of ODA and concessional loans of foreign donors;                                                                                                                                                |                                                                                                                                                       |                                                                                                                                | Decree 99/2021/ND-CP dated 11/11/2021 stipulating (Financial) Management, Payment, and Final Clearance for Public Investment Projects                   |
| III - Circular        | Circular 05/2023/TT-BKHDT dated 30/06/2023 providing Templates for Investment M&E Reports, Online Reporting Regime, and Management and Operation of the Infômation System on Monitoring and Evaluating State-Funded Investment Programs and Projects |                                                                                                                                                       |                                                                                                                                | Circular 69/2017/TT-BTC dated 07/07/2017 guiding development of five-year financial plan and three-year financial and budgetary plan                    |

17. Annex 1 describes a complex legal framework, with its roots in the fragmentation of primary legislation relating to PIM. In addition to the complexity arising from this source, further complexity arises from two main sources:
- i) the PIM legal framework covers all levels of Viet Nam's multi-tiered – national, province, district, commune - governmental structure; and
  - ii) the authority for decision-making varies by total cost of project, by source of fund, by sector and by level of government.
18. These features necessarily lead to a complicated the legal framework. Other countries have simpler designs because they have various combinations of certain factors including: fewer levels of government; separate legal frameworks for central and sub-national government; and simpler, or no, distinctions between different sectors.
19. Law by law, Table 2.3 summarises the main issues arising in the current legal framework affecting PIM.

**Table 2.3: Main Issues with the Current Legal Framework Affecting PIM**

| Law                        | Issues                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Planning Law               | <ul style="list-style-type: none"> <li>• Projects need to align with master plans, which are only approved after the MTIP cycle. Hence, delays in projects entering the MTIP, at the beginning of the 10-year master planning cycle.</li> <li>• Project being named in the master plans, which are decided by higher level of the government, leading to impossibility for lower government levels to overrule the already approved project lists</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Public Investment Law      | <ul style="list-style-type: none"> <li>• Too many duties and tasks come within the scope of the public investment budget, causing fragmentation in capital budget allocation, and threat of crowding out private investment.</li> <li>• Primary legislation for the pre-implementation phase does not apply to all projects, there being parallel primary legislation – the Construction Law - for projects with a construction component.</li> <li>• MTIP is not aligned with MTEF and a (mistaken) perception that this is neither feasible nor necessary. Annual budget processes are not fully aligned with State Budget Law.</li> <li>• No independent appraisal of the investment policy, no requirement to consider alternatives and no formal basis for rejecting poorly designed projects.</li> <li>• Project costs are fixed at investment policy stage, so any change during investment decision stage or project investment causes a return back to the investment policy stage for new approval. This leads to strong hesitance to revise project costs and a lack of flexibility in project design and implementation.</li> <li>• While 2019 PIL allows using project preparation budget to finance cost of investment policy proposal development, lack of specific guideline on cost norms causes difficulties in implementation.</li> </ul> |
| State Budget Law           | <ul style="list-style-type: none"> <li>• Capital budget is not aligned with recurrent budget (both medium-term and annual budget) hence O&amp;M budget is not planned together with capital investment and thus largely ignored.</li> <li>• SBL does not mirror important clauses of PIM process as specified in PIL, so the legislation is not mutually supportive.</li> <li>• Does not allow co-funding by different provinces and between central and local government, making it impossible to formulate regional cooperation projects/programs.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Public Debt Management Law | <ul style="list-style-type: none"> <li>• Debt capacity and technical assessment of the project are performed concurrently when a project is proposed. Delays in the former can slow down the appraisal and approval process.</li> <li>• External borrowings can only finance capital investment (hard infrastructures)</li> <li>• The legally defined ratio of on-lending to on-granting needs to be preserved. The on-grant amount is part of the regular capital budget allocation process, while the on-lending needs to go through the different process (fund withdrawal) and is often delayed. In this way, inefficiencies in the on-lending mechanism can affect the rate of project execution.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

| Law                                        | Issues                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Construction Law                           | <ul style="list-style-type: none"> <li>• There are parallel quality-at-entry processes for construction and non-construction projects. Construction Law overrides the Public Investment Law at the ex-ante evaluation stage (when the Investment Decision is taken).</li> <li>• Silent on implementation adjustment function No specific triggers are specified when projects should be adjusted.</li> <li>• Organizational arrangements for project management at the province level have caused transitional problems and will require further efforts</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Environmental Protection Law               | <ul style="list-style-type: none"> <li>• Lack of requirement for climate change impact assessment in project appraisal.</li> <li>• Conditions for projects which are subject to EIA are too narrowly defined causing many potentially environmentally sensitive projects are exempted from EIA.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Land Law                                   | <ul style="list-style-type: none"> <li>• Land acquisition is not adequately budgeted as it is estimated based on outdated land price, causing delays in resettlement in the old land law. Even though the law has been revised but supporting regulations and information for market-based land valuation will take time to put in place.</li> <li>• Land acquisition is subject to negotiation with resettled households. Household's objection to being resettled may cause substantial delays in project progress.</li> <li>• Divergence between national compensation policy and donor requirements causing delays during reconciliation of differences.</li> <li>• At investment policy stage, land cost is estimated based on regulated price, thus even if actual compensation at the land acquisition stage is based on market price, the gap of land cost estimate between two stages cannot be solved. Given project cost at investment policy stage is fixed, resubmission for project adjustment is unavoidable.</li> </ul> |
| Procurement Law                            | <ul style="list-style-type: none"> <li>• Preparation of procurement strategy/plan in advance of project approval is allowed but procurement methodology is slightly different from the donor for ODA projects.</li> <li>• Does not allow international bidding causing delays in negotiation of ODA projects, where this is a requirement.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Law on Management and Use of Public Assets | <ul style="list-style-type: none"> <li>• No formal hand-over of infrastructure after the project is completed. No asset registry to record some infrastructure assets.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

## 2.2. Special Features of the Legal Framework for ODA Projects

20. A supplementary legal framework exists for ODA projects, mainly expressed through Decree 114 and Decree 20, issued under the authority of the Public Investment Law and Procurement Law. The legal framework for ODA projects is set out in detail in Annex 1 alongside the general framework for national budget-funded projects. The explanation only indicates where the requirements for ODA projects diverge; otherwise, the requirements follow the general legal framework. As for national budget-funded projects, a full understanding of the legal framework for ODA projects requires a close reading of Annex 1, but the main divergences are:
- An additional preliminary screening step. In addition to the Investment Policy Decision, for ODA projects, there is a prior decision to approve the project proposal.
  - Special conditions for on-lending of ODA funding to provinces. On-lending shares differ according to repayment capacity and revenue collection.
  - Provisions for dealing with discrepancies between Viet Nam's procedures and the international agreement securing the ODA funding. In general, the procedures in the agreement are required to take precedence. This is particularly important in the areas of resettlement and procurement, where donors tend to have different requirements to those specified in Viet Nam.

## 2.3. Inefficiencies and Inconveniences of the Existing Legal Framework

### Foundations and Scope

21. International experience points towards a unified legal framework that is neither differentiated by the nature of the asset created nor by the source of funding. Viet Nam's legal framework for PIM is not fully unified: although there is a Public Investment Law, it does not have universal applicability. This can lead to difficulties in applying standardized procedures and methods, inconsistencies in the approach to decision-making, and complications when introducing reforms, because several laws under different authorities have to be addressed. The absence of a single mandated authority for coordinating PIM is also a handicap.
22. Viet Nam's legal framework is fragmented in relation to both the nature of the asset and source of funding. The Construction Law overrides the Public Investment Law at the ex-ante evaluation stage (when the Investment Decision is taken). For major projects (projects of national significance and Group A), the Construction Law also takes precedence at the earlier preliminary screening stage (when the Investment Policy Decision is taken). Thus, there are parallel quality-at-entry processes for construction and non-construction projects. The definition of what constitutes a construction project (CL 2020 Art, 1.10) means that most "classic" public investment projects of significance will, in practice, be governed by the Construction Law, rather than the, intuitively more logical, Public Investment Law. In addition, ODA projects, although they are not differentiated at the level of primary legislation, are subject to some differentiated procedures defined at the level of secondary legislation (decrees).

23. The scope of PIM as defined in the legal framework extends beyond what would normally be expected, including expenditures that do fit standard international definitions of public investment and extending to expenditures that would, in most countries, fall outside role of government. As well as the efficiency arguments, too broad a definition of public investment fosters an environment in which limited public financial resources can end up being spread too thinly across too many projects.
24. Public investment is generally defined as public capital expenditure on the creation of publicly owned fixed assets (both tangible and intangible). Article 5 of the Public Investment Law goes beyond this also encompassing expenditure of a recurring (item (ii) below) or non-capital nature (item (vi) below), as follows:
- (i) socio-economic infrastructure programs and projects;
  - (ii) providing support to activities of state agencies, public service delivery units (PSDUs), political organizations, and socio-political organizations;
  - (iii) providing support to investments in provision of public utility and social welfare products and services;
  - (iv) contribution to public-private partnership (PPP) projects;
  - (v) providing support to formulation, evaluation of and decision on or approval, public disclosure and modification of planning schemes; and
  - (vi) provision of subsidies to concessional loans, equity contribution to registered capital of policy banks and off-budget funds, and support to other policy beneficiaries under the Prime Minister's decisions.
25. While all forms of new public expenditure should be subject to robust analysis and checks to ensure policy effectiveness and value for money, extending the PIM system beyond capital expenditure (for which standardized approaches and methodologies exist) can detract from its efficient functioning. It is better to begin by developing separate systems for examining non-capital expenditure.
26. The role of the public sector is also cast widely to include some functions that fall outside the more commonly defined boundaries. For example, Article 8.2 of the Public Investment Law allows investment in a wide range of industrial sectors<sup>4</sup> some of which do not fit naturally into a conception of the role of the state as complementing the private sector<sup>5</sup>. A

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<sup>4</sup> (i) transport including bridge, sea port and river port, airport, railways, national highway; (ii) Electric power; (iii) Oil and gas production; (iv) Chemical, fertilizer and cement production; (v) Machine manufacturing and metallurgy; (vi) Mining and mineral processing; (vii) Construction of residential buildings; (viii) Water resources and irrigation; (ix) Water supply and drainage, waste treatment and construction of other technical infrastructure; (x) Electrical engineering; (xi) Production of communication and electronic equipment; (xii) Pharmaceutical chemistry; (xiii) Production of materials; (ivx) Post and telecommunications; (vx) Agricultural, forestry and aquacultural production; (vix) National parks and nature reserves; (viix) Technical infrastructure of new urban zones; (viiiix) Health, culture and education; (ixx) Scientific research, information technology, radio and television broadcasting; (xx) warehouse; (xxi) Tourism, sport and physical activities; (xxii) Civil construction; (xxiii) Projects developed in the national defence and security field.

<sup>5</sup> Economic efficiency is usually considered to be better served when the state focuses in delivering services that the private sector, when left to itself, would not deliver because of the difficulty of collecting payment or would deliver in sub-optimal quantities.

better approach than providing lists of industrial sectors, might be to focus on defining the state's role more clearly and using this as a criterion to assess eligibility.

*Recommendations:*

- Streamline the primary legislation to consolidate the legal basis for the core PIM system in one place and to give the mandate for high-level coordination of PIM to a single agency.
- Revise the Public Investment Law so that its scope is limited to recognized international definitions of public investment and to a vision of the role of the state that complements the private sector.

**Strategic Guidance and Preliminary Screening**

27. While the Planning Law and the Public Investment Law (and associated secondary legislation) provide a strong legal foundation for the provision of strategic guidance for developing and preliminary screening of projects, there are some important drawbacks, relating to the legal status of decisions in plans and the quality of information upon which they are based. These drawbacks mean that the preliminary screening stage is a relatively weak filter, resulting in few project concepts being screened out and prevented from proceeding to the next stage, ex-ante evaluation.
28. By requiring that investment policy proposals (the basis for an Investment Policy Decision) should show that a project is in line with strategic plans – the socio-economic development strategy, masterplan and socio-economic development plan prepared under the Planning Law - Viet Nam's Public Investment Law is consistent with international good practice for preliminary screening. However, unlike PIM systems elsewhere, in Viet Nam, "in line with" is usually understood to mean "named in". In addition, the naming of a project in the planning documents is generally considered to be both a necessary and a sufficient condition for a project to pass preliminary screening, meaning that new information and further analysis at this stage is unlikely to overturn a prior decision to include a project in a plan. For example, a provincial masterplan will include a list of projects ranked in priority order (Planning Law, Art. 27.2o) and inclusion in this list would be interpreted by many government agencies as being the main determinant of a positive Investment Policy Decision. This is despite the likelihood that the depth and reliability of the information available when preparing plans will be weaker than when an Investment Policy Decision is made, not the least because of the passage of time. This rigid interpretation of strategic relevance is reinforced by the hierarchy of decision making, whereby plans, and consequently the lists of projects within them, are approved at a high level (Public Investment Law, Art.18.16), making it difficult for lower levels to go against them when it comes to the Investment Policy Decision. High-level approval of strategies and plans is indeed appropriate, but the details of their application should always be subject to further technical investigation and approval.
29. Methodologies for preparing prefeasibility studies or investment policy recommendation reports as a basis for the Investment Policy Decision have not been specified through circulars or other equivalent instruments (at Tier-3 of the legal framework). As a result,

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<sup>6</sup> 'A masterplan should be decided or approved by competent authority.'

these documents do not follow a standard format or consistent methodological approaches, leading to problems in quality and comparability (see Section 3.2.1, where a sample of documentation is analysed).

30. The legal framework does not support robust appraisal of investment policy proposals. There is no requirement to examine project alternatives, so the appraisal committee is presented with a narrow view of solutions to the problems. There are also no specific provisions requiring the appraisal committee to reject poor quality proposals: the law merely stipulates that the designer of the investment policy proposal is responsible for taking the committee's comments into account and revising the proposal accordingly.

#### *Recommendations*

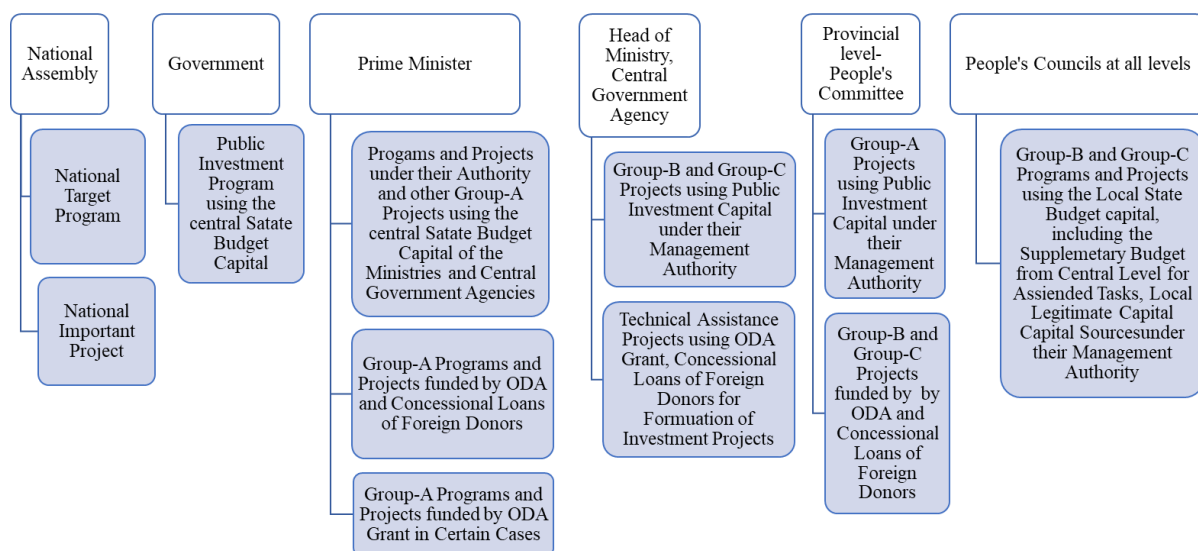
- Amend the Planning Law to state explicitly that specific expenditure measures, including named investment projects, included in plans and strategies are indicative only and subject to acceptance or rejection on the basis of technical analysis under the Public Investment Law or other applicable legislation.
- Amend the Public Investment Law to state explicitly that alignment with strategic plans is a necessary, but not sufficient criterion for a positive Investment Policy Decision and that other criteria must also be satisfied, including a coherent rationale for the project and evidence of adequate demand, socio-economic efficiency and sustainability.
- Specify in the legal framework that the project alternatives must be presented and analysed in the investment policy proposal and the choice of preferred alternative justified.
- Give explicit authority to the MPI in the Public Investment Law to develop guidelines for preparing prefeasibility studies or investment policy recommendation reports to inform the Investment Policy Decision, and to promulgate these guidelines through circulars or the equivalent.

#### **Ex-Ante Evaluation and Independent Review**

31. Despite the inconveniences of parallel legislation, the Public Investment Law and the Construction Law together provide a solid legal foundation for ex-ante evaluation and the related decision step (the Investment Decision). Unfortunately, other aspects of the legal framework relating to preliminary screening and to selection and budgeting undermine the usefulness of this stage. So, whereas ex-ante evaluation is usually seen in good practice systems as pivotal for filtering out low-quality projects, in Viet Nam's legal framework, the preliminary screening stage is critical, rendering ex-ante evaluation a virtual formality as a decision step.
32. The decision to go ahead with a project are effectively made through a fixed-term, 5-year funding envelope known as the medium-term investment plan (MTIP). Once a project has been included in the MTIP there are no provisions in the legal framework for dislodging it and it is virtually certain that the project will proceed to implementation at some point (even if implementation is carried over to the next MTIP period – see next section).

33. According to the Public Investment Law (Article 52), the basis for inclusion in the MTIP is a positive Investment Policy Decision<sup>7</sup>. The incentives for performing a rigorous ex-ante evaluation based on a robust feasibility study are therefore severely undermined, since the Investment Decision is not a critical decision point. Changes to project costs or the implementation period can occur during preparation of a feasibility study, but projects are almost never rejected based on negative feasibility study findings, and this is not foreseen in the legal framework.
34. The hierarchy of decisions embedded in the legal framework is the reverse of what good practice would suggest<sup>8</sup>: the determining decision - the Investment Policy Decision - is taken first, based on weaker evidence and, because it is taken by higher authorities (see Figure 2.1), is very difficult to reverse. Reflecting the level of authority associated with each decision, the Investment Policy Decision must be formally adjusted using procedures set out in the law, whenever the project parameter defined within it are changed. This means that if changes to costs or implementation plans are revealed during preparation of the feasibility study the project must be resubmitted for an Investment Policy Decision. The same requirement applies if, for whatever reason, adjustments are required after the Investment Decision is taken; in this case, both decisions must be revisited. The adjustment process is cumbersome, which creates incentives against small adjustments to optimise the project design (in the broadest sense – not just optimization of technical design) at the Investment Decision stage or afterwards during detailed design. Only if adjustments are inescapable will project promoters go down this route.

**Figure 2.2: Responsibilities for Investment Policy Decisions by Scale of Project and Source of Funding**



<sup>7</sup> The weaknesses at Investment Policy Decision stage, including the excessive weight given to the naming of a project in plans/strategies, have already been described.

<sup>8</sup> In good practice systems, the determining decision comes last, when the evidence for informing the decision is strongest.

35. General and sectoral methodologies for rigorous ex-ante evaluation have not been specified through circulars or other equivalent instruments (at Tier-3 of the legal framework). As a result, feasibility studies do not follow a standard format or consistent methodological approaches, leading to problems in quality and comparability (see Section 3.2, where a sample of documentation is analysed).
36. The independent review function is weakly specified in the legal framework and the objectivity of reviewers is sometimes questionable since they may not be sufficiently distant from the project. Currently, as specified in the law, review consists of collecting opinions from relevant technical and financial bodies but does not result in a consolidated recommendation to decision-makers. According to the Public Investment Law, for larger projects, appraisal committees may be formed. These committees could potentially have some measure of independence; however, review by committee is not ideal without strong and independent technical inputs to support the recommendations of the committee, which is currently missing from the legal requirements.
37. ODA steps and decision making different from budget funded.

#### *Recommendations<sup>9</sup>*

- Make explicit allowance in the legal framework for the rejection of a project (and exclusion from the MTIP) based on negative feasibility study findings. This will also require changes to the part of the Public Investment Law dealing with preparation and implementation of the MTIP to allow for rejection (see Selection and Budgeting, below).
- Within defined limits, drop the requirement for adjustment of the Investment Policy Decision if a feasibility study identifies differences in key variables. It is suggested that a cost variation of up to 20% could be tolerated, before adjustment of the Investment Policy Decision is required. An adequate contingency provision should be included in the MTIP envelope to allow for this.
- Give explicit authority to the MPI in the Public Investment Law to develop general and sectoral methodologies for ex-ante evaluation, together with national parameter values for their application, and to promulgate these through circulars or the equivalent. Use secondary legislation to require the application of these methodologies, including a default requirement to use social cost-benefit analysis to assess socio-economic efficiency for major projects, unless otherwise indicated.
- Strengthen independent review of ex-ante evaluations so that it is coordinated by a single body - MPI nationally and DPs at province-level – covers all dimensions of project feasibility and results in a single formal recommendation (not a collection of opinions) to decision makers. Further strengthen independent review by mandating the participation of external technical experts on evaluation committees for major projects.

#### **Selection & Budgeting**

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<sup>9</sup> Because of the parallel legislation some of these recommendations apply to two laws, Public Investment Law and Construction Law, as things currently stand. This would not be the case if the recommendation to consolidate the overlaps in the Public Investment Law were followed.

38. Viet Nam's dual budgeting system, whereby capital and recurrent expenditure are budgeted separately, presents serious consequences for PIM. It makes it difficult to integrate capital and recurrent expenditure planning so that requirements for budget-funded operations and maintenance expenditure are fulfilled. This has negative consequences for the sustainability of completed projects which, because of this lack of coordination between capital and recurrent expenditure planning, may deliver fewer or lower quality services, either through shortfalls in staffing and in complementary goods or services or through shorter than planned project lives resulting from under-funding of maintenance.
39. In addition to the dual budgeting system, complications but also the approach to capital budgeting in the Public Investment Law is incompatible with the model for medium-term public expenditure planning that is embodied in the State Budget Law. Under the Public Investment Law, expenditure for public investment is programmed within a fixed-term, 5-year financial envelope, the "MTIP". The MTIP is implemented in annual tranches, Annual Investment Programs (AIP), agreed as part of annual budget preparation. The MTIP consists of a list of projects to be implemented over the five years, together with their total budgets for the entire program, subject to an aggregate 5-year expenditure ceiling. There is no process in the Public Investment Law for programming annual allocations over the 5-year period (and beyond). This approach is at odds with the MTEF approach in the State Budget Law (as set out in detail in Decree 45/2017 and Circular 69/2017), which consists of a rolling, 3-year expenditure framework with annual ceilings (binding for the first year and indicative for the two outer years). These inconsistencies mean that, effectively, the MTEF approach can only be applied to recurrent expenditure, in spite of the intention for it to apply to all expenditures.
40. Even when it comes to the annual budget, the State Budget Law and the Public Investment Law are not fully harmonized with respect to capital budgeting. For example, it is difficult to find articles in the State Budget Law that correspond with part of the Public Investment Law (Clauses 7. and 8. of Article 56) dealing with Annual Investment Programs. At least for the annual budget the approaches should be compatible and, ideally, the clauses from the Public Investment Law should be mirrored in the State Budget Law.
41. The status given to a project from inclusion in the MTIP also carries over into the next planning period. This has the advantage of ensuring continuity for ongoing projects, but for projects that have not been started (or barely commenced), it ties the hands of planners and decision-makers whose priorities may have changed. This issue becomes more pronounced when MTIPs start off as over-ambitious or become so because of deteriorating macro-fiscal conditions, leading to a bunching of projects towards the end of one planning period that are expected to carry over to the next. At the same time, the 20% rule, whereby carryover expenditure from one MTIP to the next must be limited to a maximum of 20% of the total MTIP expenditure envelope could impact negatively on the timely and efficient completion of genuine ongoing projects.

#### *Recommendations*

- State explicitly in the Public Investment Law that funding through the MTIP (and annual investment plans - AIPs) is contingent on a positive Investment Decision, based on a feasibility study, and that the Investment Decision may reverse the Investment Policy Decision.

- Harmonize the Public Investment Law and the State Budget Law to ensure efficient annual budgeting of capital and recurrent expenditure, specifically:
  - Introduce year-by-year indicative programming of expenditures in the MTIP, to be revised as annually as the MTIP is implemented.
  - Align the timetable for preparing AIPs more efficiently with the timetable for preparation of the annual budget and 3-year rolling state budget-finance plans (or MTEF in the international terms).
  - Require AIPs to include two outer years so that they become 3-year rolling capital investment plans consistent with the 3-year rolling state budget-finance plans, as prescribed in the SBL.
  - Break down the rolling capital investment plans into capital baseline and new estimate components, consistent with Article 16, Decree 45/2017/NĐ-CP and Article 14, Circular 69/2017/TT-BTC.
- Make the rules for carryover from one MTIP to the next more stringent so that only projects that are genuinely ongoing are automatically carried over. This means that, even if a feasibility study has been completed and a positive Investment Decision given, a project would not be eligible for carryover unless construction has commenced (or an irrevocable contract signed). Projects with a positive investment Decision would still have to compete with new projects for funding in the next MTIP<sup>10</sup>.
- If, and only if, the previous recommendation is implemented, drop the 20% carryover rule so as to ensure full funding of genuine ongoing projects.

### **Implementation and adjustment**

42. The legal framework is incomplete when it comes to the implementation adjustment function. An adjustment process is clearly defined in the law, but no specific triggers are specified for identifying “off-track” projects. Without defined triggers, even small changes in cost and implementation period trigger a formal adjustment process involving high-level decision makers. These arrangements incentivize project managers to stick within the approved project parameters, rather than engage in a cumbersome adjustment process. In the end, this reduces the flexibility of project managers to adapt their projects (within predefined margins) to circumstances and prevents project optimization during implementation.
43. There is also no legally defined resolution mechanism for non-performing projects (i.e., projects that are so far off track that adjustment alone is not sufficient to bring them back on track), including fundamental rescoping or permanent cancellation. This means that poorly performing projects are rarely “killed off”.
44. Article 72 of the Public Investment Law establishes a requirement for mid-term and stage-by-stage assessments reports for major projects during implementation; however, detailed guidance is missing at Tier-3 (circulars and equivalent). This means that there are no

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<sup>10</sup> Such projects would have an advantage since they are ready to go, but they should still enter the selection process.

guidelines on methods and their application nor on the roles and responsibilities of the actors involved.

#### *Recommendations*

- Allow for more flexibility during implementation by defining thresholds beyond which a project must be submitted for enhanced monitoring and/or formal adjustment. Ideally the legal basis for the MPI to set such thresholds should be established in primary legislation and the parameters themselves set in secondary legislation.
- Establish in law a mechanism for defining and resolving projects that are failing, including procedures for permanently stopping such projects as a last resort<sup>11</sup>.
- Supplement the existing legal framework with detailed guidance at Tier-3 on methods for mid-term review of implementation for major projects.

#### **Operations**

45. The need to ensure operational sustainability of projects, particularly sustainable funding for O&M, is largely ignored in the legal framework. This is partially attributed to the separation between capital and recurrent budgeting processes.

#### *Recommendations*

- Make it a legal requirement to submit a year-by-year statement of all operating and maintenance costs during a project's operational life, including expected repair and planned replacement of project components. The submission should be made to both MPI/DPI and MOF/DOF upon approval of the Investment Decision and a revised submission should be made prior to inclusion of the project in an AIP.

#### **Ex-Post Review**

46. Article 72 of the Public Investment Law establishes a requirement for project completion reports ("terminal assessments") and ex post impact assessments for all projects; however, although some limited detail of methods is given at Tier-2 (Decree 29) in the legal framework, detailed guidance is missing at Tier-3 (circulars and equivalent). This means that there are no guidelines on methods and their application nor on the roles and responsibilities of the actors involved. In practice, these reviews are rarely performed for non-ODA projects, partly due to the lack of detailed guidance.

#### *Recommendations*

- Supplement the existing legal framework with detailed guidance at Tier-3 on ex post review methods and their application.

#### **ODA Projects**

47. Most issues in relation to ODA projects relate to the speed of preparing and implementing projects when applying the dedicated legal framework. Various bottlenecks in the processes have been identified and attempts made to ameliorate them, but with limited

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<sup>11</sup> This recommendation links with the previous recommendation to improve Tier-3 guidance on ex-ante evaluation. Feasibility studies should include monitoring indicators which can be used to establish when projects are off-track or failing.

success. Recently, Law 3 of 2022 was adopted with the aim of streamlining the procedures for ODA projects, but it remains to be seen what its impact will be.

48. The extra decision step compared to nationally funded projects – approval of the project proposal - slows down project preparation, especially when the project proposal needs to be approved by the Prime Minister. To streamline the process, Decree 20 (under Law 3) decentralized the approval authority of PFSs and FSs for group B and C projects to ministries and provincial People's Councils, but this does seem to have resulted in reducing.
49. To speed up implementation of ODA projects, the Procurement Law (Article 42) allows for advance procurement, whereby the preparation, appraisal and approval of the procurement plan and procurement documents can take place before the signing of the financing agreement. However, there are still some differences between the interpretation of the application of this advance procurement provision by donors and the government, making it difficult to be effectively applied, in practice.
50. The speed and cost of land acquisition is an issue for all projects but is particularly acute for ODA-funded projects because of difference in land acquisition policies between donors and the government. Funding land acquisition for ODA projects is a government responsibility and it provides project counterpart funds to do this, usually valuing land below market price, causing delays in acquisition and resettlement. Counterpart funds are generally raised from land sale revenues and are sometimes inadequate, causing further delays.
51. The legally defined ratio of on-lending to on-granting needs to be preserved. The on-grant amount is part of the regular capital budget allocation process, while the on-lending needs to go through the different process (fund withdrawal) and is often delayed. In this way, inefficiencies in the on-lending mechanism can affect the rate of project execution.

### 3. Assessment of Evidence from Medium-Term Investment Plans and Projects

#### 3.1 Analysis of MTIP Portfolio Management

##### Introduction

52. Around 80%<sup>12</sup> of Viet Nam's public investment expenditure is made at sub-national government level, so it is appropriate to take a close look at how provinces manage their public investment project portfolios. For this purpose, the City of Da Nang offers the potential to give useful insights. The City of Da Nang is not as large as Ha Noi or HCMC, nor is it among the poorer provinces, so it was considered suitable to give a good idea of portfolio management among the "middle-ground" of provinces, although it is probably towards the better managed end of the spectrum.
53. The portfolio of interest is the set of projects that make up the 2021-2025 MTIP. To keep the exercise manageable and focused on the key issues, data was requested for Group A and Group B projects only. Group A and Group B projects combined generally represent more than 80% of the portfolio by value, so the proposed analysis would capture the majority of the portfolio by value, if not by project numbers.
54. Several earlier requests for data on the 2021-2025 MTIP portfolio had been made to the DPI, with mixed results in terms of the comprehensiveness, reliability and timeliness of data provided. In the end, after several iterations, it became apparent that the DPI does not keep comprehensive and up-to-date data and an alternative approach was adopted. At the suggestion of the DPI, the project management units (PMUs) responsible for implementing major<sup>13</sup> construction projects across the city were contacted for data on the projects under their management. Information was provided by all 5 of the PMUs<sup>14</sup>, and then combined by DPI and shared with the expert team to carry out the global portfolio analysis described below.
55. The PMUs provided project-by-project information on:
- Planning decisions and associated approved expenditures
  - Expenditures during the 2016-2020 MTIP on ongoing projects carried over to the 2020-2025 MTIP
  - Balance to complete projects in the 2020-2025 MTIP
  - Allocations in the 2021-2025 MTIP
  - Expenditure to date in the 2021-2025 MTIP
  - Expenditure requirements for projects planned to be carried over to 2026-2030 MTIP

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<sup>12</sup> This includes spending funded directly from SNG budgets (65%) and targeted additions to these budgets funded by central government (15%).

<sup>13</sup> 'Major' is a relative term. For provinces, Group B may be considered major, whereas it would not be at the national level.

<sup>14</sup> Those five PMUs include (i) Transport PMU; (ii) Urban Infrastructure PMU; (iii) Prioritized Infrastructure PMU; (iv) Agriculture PMU; and (v) Industrial Park and High-tech Park PMU.

## **Description of the Consolidated Portfolio under PMU Management.**

56. Table 3.1 presents information on the number of projects in the portfolio of projects managed by the 5 PMUs, categorized by “sector”<sup>15</sup> and by whether they are ongoing or new. The PMUs are responsible for the implementation of 142 major projects in Groups A and B in the 2021-2025 MTIP. Since the PMUs are responsible for managing major projects, it is extremely unlikely that there are any other Group A or Group B projects being managed by other entities (the technical departments for example). There are only three Group A projects in the major project portfolio<sup>16</sup>; the rest are Group B.
57. Of the 142 projects, 108 projects are ongoing projects carried over from the 2016-2020 MTIP and 34 are new projects. Of the ongoing projects, 33 were supposed to be physically complete and awaiting final payments, leaving 69 genuine projects with continuing works, or twice the number of new projects. However, 17 of the 33 projects were still receiving fund allocations during the 2021-2025 MTIP, suggesting that they were actually far from complete.
58. Interestingly, 6 of the 69 ongoing projects are planned to be carried over into the 2026-2030 MTIP, meaning that they will end up having been implemented over 3 MTIP cycles. From among the new projects, 8 are intended to be carried over to the 2026-30 MTIP for completion.
59. Transport, health and environment stand out as the sectors<sup>17</sup> with the most projects carried over from the last MTIP to the current one, with 16, 17 and 12 projects respectively. As for new projects, these are also the most important sectors with 6, 10 and 5 projects respectively.

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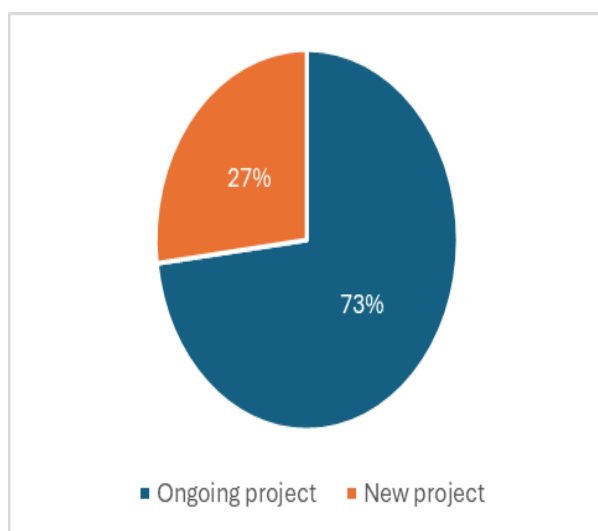
<sup>15</sup> Most of the sectors conform to the standard classification of functions of government but not all. ‘Projects funded from land sales’ and ‘Project preparation’ do not fit with this classification. They are recorded separately because of different funding sources. However, they account for a significant share (16%) of the portfolio value and should be included in the analysis.

<sup>16</sup> Group A projects:

- Construction of shared infrastructure in Lien Chieu Seaport, implemented by PMU on Prioritized Projects, with total investment cost of 3,426 VND billion.
- Software Park Number 2, implemented by Civil Work PMU, with total investment cost of 68 billion.
- Danang Sustainable Development Project (funded by WB), or WB’s Environment Project, implemented by PMU on Prioritized Projects, with total investment cost of 6,803 VND billion.

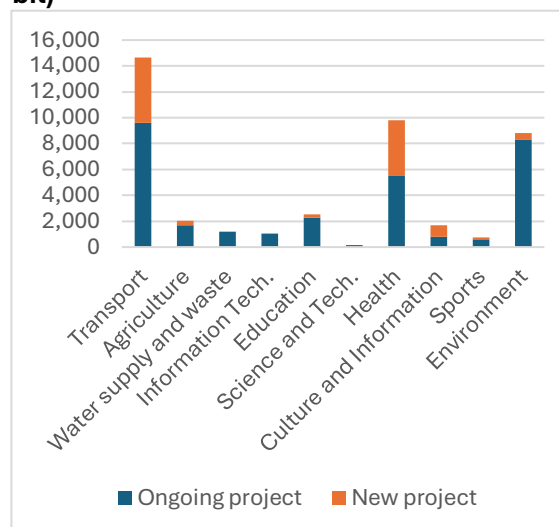
<sup>17</sup> There are also 36 carryover projects to be funded from land sales, but this is source of funds categorization rather than a sectoral one.

**Figure 3.1: Da Nang MTIP composition**



Source: Da Nang MTIP 2021-2025

**Figure 3.2: Da Nang MTIP by sector (VND bil)**



60. Table 3.2a and 3.2b present financial data on 2021-2025 MTIP funding for the portfolio of major projects in two scenarios: with and without the WB's City Sustainable Development Project, which represents a very significant expenditure item<sup>18</sup>. In Table 3.2a, total expenditure of VND 51.2 trillion is allocated to the 142 projects, split 73% for ongoing projects carried over from the 2016-2020 MTIP and for 27% new projects. In terms of investment values, the transport, health and environment sectors dominate again, account for 65% of the value of the global portfolio, and 62% and 73% ongoing and new project groups, respectively. This indicated the priority that the City of Da Nang attaches to these three sectors in its expenditure choices. Transport is the most important sector, representing 29% of planned global spending, 26% of planned spending on ongoing projects and 37% of planned spending on new projects. Health is the second most important sector, followed by environment.

<sup>18</sup> The WB project does not necessarily fit the classic definition of a project, being made up of a number of components that are closer to projects. As such, it might be called a 'programmatic' project.

**Table 3.1: Number of Projects under Management of Major Project PMUs for 2021-25 MTIP (Latest version)<sup>19</sup>**

|      | Sector                 | Total number of projects | Ongoing projects | Of which                |                                       |                                                | New project | of which                              |                                                |
|------|------------------------|--------------------------|------------------|-------------------------|---------------------------------------|------------------------------------------------|-------------|---------------------------------------|------------------------------------------------|
|      |                        |                          |                  | Completed by 31/12/2020 | Completed in the MTIP 2021-2025 cycle | To be carried over to the MTIP 2026-2030 cycle |             | Completed in the MTIP 2021-2025 cycle | To be carried over to the MTIP 2026-2030 cycle |
| A.1  | Construction projects  | 142                      | 108              | 33                      | 69                                    | 6                                              | 34          | 26                                    | 8                                              |
| I    | Economic Activities    | 32                       | 24               | 3                       | 20                                    | 1                                              | 8           | 6                                     | 2                                              |
| I.1. | Transport              | 22                       | 16               | 3                       | 13                                    | 0                                              | 6           | 6                                     |                                                |
| I.4  | Agriculture            | 7                        | 5                | 0                       | 4                                     | 1                                              | 2           |                                       | 2                                              |
| I.6  | Water supply and waste | 1                        | 1                |                         | 1                                     |                                                | 0           |                                       |                                                |
| I.7  | Information Tech.      | 2                        | 2                |                         | 2                                     |                                                | 0           |                                       |                                                |
| II   | Education              | 10                       | 8                | 4                       | 3                                     | 1                                              | 2           | 1                                     | 1                                              |
| III  | Science and Tech.      | 1                        | 1                | 1                       |                                       |                                                | 0           |                                       |                                                |
| IV   | Health                 | 27                       | 17               | 4                       | 11                                    | 2                                              | 10          | 5                                     | 5                                              |

<sup>19</sup> The MTIP has been adjusted several times since the version first approved. These figures and those in Table 2 relate to the latest approved version.

|      |                                 |    |    |    |    |   |   |   |  |
|------|---------------------------------|----|----|----|----|---|---|---|--|
| V    | Culture and Information         | 6  | 2  |    | 2  |   | 4 | 4 |  |
| VI   | Sports                          | 3  | 2  |    | 2  |   | 1 | 1 |  |
| VI   | Environment                     | 17 | 12 | 2  | 8  | 2 | 5 | 5 |  |
| VII  | Investment preparation          | 5  | 5  |    | 5  |   | 0 |   |  |
| VIII | Projects funded from land sales | 40 | 36 | 19 | 17 |   | 4 | 4 |  |
| IX   | State management                | 1  | 1  |    | 1  |   | 0 |   |  |

**Table 3.2a: Expenditure Allocations for Projects under Management of Major Project PMUS for MTIP 2021-2025 (Latest Version) including WB project**

|      | Sector                | Total              |            | Ongoing project    |            | New project        |            | Percentage in total cost of the global portfolio |             | Structure (%) in the global portfolio |                 |             |
|------|-----------------------|--------------------|------------|--------------------|------------|--------------------|------------|--------------------------------------------------|-------------|---------------------------------------|-----------------|-------------|
|      |                       | Number of projects | Cost       | Number of projects | Cost       | Number of projects | Cost       | Ongoing project                                  | New project | Total                                 | Ongoing project | New project |
| A.1  | Construction projects | 142                | 51,189,179 | 108                | 37,386,234 | 34                 | 13,802,945 | 73%                                              | 27%         | 100%                                  | 100%            | 100%        |
| I    | Economic Activities   | 32                 | 18,949,213 | 24                 | 13,510,690 | 8                  | 5,438,523  | 71%                                              | 29%         | 37%                                   | 36%             | 39%         |
| I.1. | Transport             | 22                 | 14,672,357 | 16                 | 9,603,834  | 6                  | 5,068,523  | 65%                                              | 35%         | 29%                                   | 26%             | 37%         |
| I.4  | Agriculture           | 7                  | 2,052,097  | 5                  | 1,682,097  | 2                  | 370,000    | 82%                                              | 18%         | 4%                                    | 4%              | 3%          |

|      |                                 |    |           |    |           |    |           |      |      |     |     |     |
|------|---------------------------------|----|-----------|----|-----------|----|-----------|------|------|-----|-----|-----|
| I.6  | Water supply and waste          | 1  | 1,170,470 | 1  | 1,170,470 | 0  | -         | 100% | 0%   | 2%  | 3%  | 0%  |
| I.7  | Information Tech.               | 2  | 1,054,289 | 2  | 1,054,289 | 0  | -         | 100% | 0%   | 2%  | 3%  | 0%  |
| II   | Education                       | 10 | 2,533,200 | 8  | 2,263,154 | 2  | 270,046   | 89%  | 11%  | 5%  | 6%  | 2%  |
| III  | Science and Tech.               | 1  | 132,930   | 1  | 132,930   | 0  |           | 100% | 0%   | 0%  | 0%  | 0%  |
| IV   | Health                          | 27 | 9,826,086 | 17 | 5,506,245 | 10 | 4,319,841 | 56%  | 44%  | 19% | 15% | 31% |
| V    | Culture and Information         | 6  | 1,691,752 | 2  | 803,368   | 4  | 888,384   | 47%  | 53%  | 3%  | 2%  | 6%  |
| VI   | Sports                          | 3  | 753,875   | 2  | 614,534   | 1  | 139,341   | 82%  | 18%  | 1%  | 2%  | 1%  |
| VI   | Environment                     | 17 | 8,821,017 | 12 | 8,329,744 | 5  | 491,273   | 94%  | 6%   | 17% | 22% | 4%  |
| VII  | Investment preparation          | 5  | 1,594,956 | 5  | 5         | 0  | 1,594,951 | 0%   | 100% | 3%  | 0%  | 12% |
| VIII | Projects funded from land sales | 40 | 6,795,964 | 36 | 6,135,378 | 4  | 660,586   | 90%  | 10%  | 13% | 16% | 5%  |
| IX   | State management                | 1  | 90,186    | 1  | 90,186    | 0  |           | 100% | 0%   | 0%  | 0%  | 0%  |

**Table 3.2b: Expenditure Allocations for Projects under Management of Major Project PMUS for MTIP 2021-2025 (Latest Version) excluding WB project**

|  | Sector | Total | Ongoing project | New project | Percentage in total cost of the global portfolio | Structure (%) in the global portfolio |
|--|--------|-------|-----------------|-------------|--------------------------------------------------|---------------------------------------|
|--|--------|-------|-----------------|-------------|--------------------------------------------------|---------------------------------------|

|      |                                 | Number<br>of<br>projects | Cost       | Number<br>of<br>projects | Cost       | Number<br>of<br>projects | Cost       | Ongoing<br>project | New<br>project | Total | Ongoing<br>project | New<br>project |
|------|---------------------------------|--------------------------|------------|--------------------------|------------|--------------------------|------------|--------------------|----------------|-------|--------------------|----------------|
| A.1  | Construction projects           | 142                      | 44,385,929 | 108                      | 30,582,984 | 34                       | 13,802,945 | 69%                | 31%            | 100%  | 100%               | 100%           |
| I    | Economic Activities             | 32                       | 18,949,213 | 24                       | 13,510,690 | 8                        | 5,438,523  | 71%                | 29%            | 43%   | 44%                | 39%            |
| I.1. | Transport                       | 22                       | 14,672,357 | 16                       | 9,603,834  | 6                        | 5,068,523  | 65%                | 35%            | 33%   | 31%                | 37%            |
| I.4  | Agriculture                     | 7                        | 2,052,097  | 5                        | 1,682,097  | 2                        | 370,000    | 82%                | 18%            | 5%    | 6%                 | 3%             |
| I.6  | Water supply and waste          | 1                        | 1,170,470  | 1                        | 1,170,470  | 0                        | -          | 100%               | 0%             | 3%    | 4%                 | 0%             |
| I.7  | Information Tech.               | 2                        | 1,054,289  | 2                        | 1,054,289  | 0                        | -          | 100%               | 0%             | 2%    | 3%                 | 0%             |
| II   | Education                       | 10                       | 2,533,200  | 8                        | 2,263,154  | 2                        | 270,046    | 89%                | 11%            | 6%    | 7%                 | 2%             |
| III  | Science and Tech.               | 1                        | 132,930    | 1                        | 132,930    | 0                        |            | 100%               | 0%             | 0%    | 0%                 | 0%             |
| IV   | Health                          | 27                       | 9,826,086  | 17                       | 5,506,245  | 10                       | 4,319,841  | 56%                | 44%            | 22%   | 18%                | 31%            |
| V    | Culture and Information         | 6                        | 1,691,752  | 2                        | 803,368    | 4                        | 888,384    | 47%                | 53%            | 4%    | 3%                 | 6%             |
| VI   | Sports                          | 3                        | 753,875    | 2                        | 614,534    | 1                        | 139,341    | 82%                | 18%            | 2%    | 2%                 | 1%             |
| VI   | Environment                     | 17                       | 2,017,767  | 12                       | 1,526,494  | 5                        | 491,273    | 76%                | 24%            | 5%    | 5%                 | 4%             |
| VII  | Investment preparation          | 5                        | 1,594,956  | 5                        | 5          | 0                        | 1,594,951  | 0%                 | 100%           | 4%    | 0%                 | 12%            |
| VIII | Projects funded from land sales | 40                       | 6,795,964  | 36                       | 6,135,378  | 4                        | 660,586    | 90%                | 10%            | 15%   | 20%                | 5%             |
| IX   | State management                | 1                        | 90,186     | 1                        | 90,186     | 0                        |            | 100%               | 0%             | 0%    | 0%                 | 0%             |

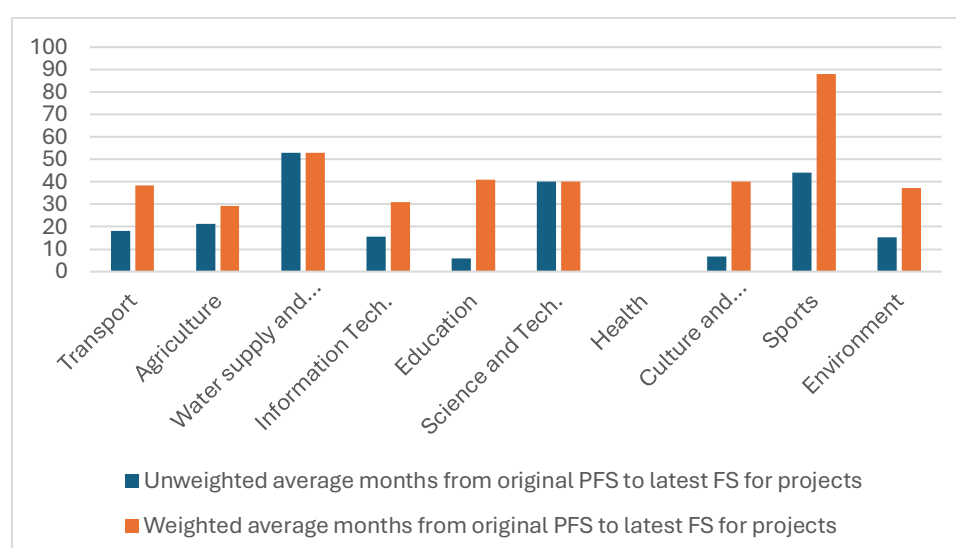
## Analysis of Adjustments during Project Preparation

61. The analysis of adjustments during project preparation is complicated by the incompleteness of the data on projects in the portfolio. In a number of cases, data is provided on the Investment Decision (and latest adjustment, where applicable), but there is no information on the prior Investment Policy Decision. This may be because the PMUs do not retain such information if they were not involved at this earlier stage.

### Adjustment Delays

62. An analysis of project preparation times and delays was undertaken, comparing the time to prepare projects that have been subject to adjustment during preparation with those that were not adjusted. The results are shown in Figure 3.3 and Table 3.3.
63. For adjusted projects, preparation time is measured in months from the date of approval of the first Investment Policy Decision to the date of approval of the latest Investment Decision. For non-adjusted projects, the time in months from the approval of the Investment Policy Decision to the Investment Decision is measured. These measures are proxies for preparation time because it is not known how much time was spent in preparing for the first Investment Policy Decision. Sufficient information to carry out the analysis was provided for only 78 projects in the portfolio. Five out of those 78 projects were outliers because their preparation times were extremely long<sup>20</sup>. To minimize distortion caused by those outliers, they are excluded from the analysis. However, care should therefore be exercised when drawing conclusions from the findings, which might not be representative of the whole portfolio.

**Figure 3.3: Time adjustment from PFS to FS**



64. Figure 3.3 presents both simple and weighted averages for preparation time for both adjusted and unadjusted projects. Simple average preparation time for an adjusted project

<sup>20</sup> (i) Transport: River bank road project with 20 years of preparation (2003-2023); (ii) Education: Dormitory construction project with 10 year of preparation (2010-2020); and (iii) WB's Environment Project.

was 16 months, compared to 8 months for a non-adjusted project. This indicates that entering into the cumbersome adjustment process can double preparation time. For economic activities projects, the average preparation times are considerably longer for adjusted projects (27 months) while almost in line with the average (7.7 months) for non-adjusted projects. Thus, for adjusted projects, the preparation time is 3.5 times greater than for a non-adjusted project.

65. Figure 3.3 also presents weighted averages, where preparation time is weighted by total project cost. The average preparation time for an adjusted project is 37.88 months (more than 3 years), compared 13.5 months for a non-adjusted project. These times are considerably longer than for simple averages, indicating that preparation time for high value projects is much greater than for low value projects. It is notable that the relative differential between adjusted and non-adjusted projects – adjusted projects take nearly three times longer - is much greater using weighted averages.
66. The estimated preparation times may seem high at first sight but may not be so worrying when viewed in the international context. A recent benchmarking exercise<sup>21</sup>, where project preparation and implementation times in the United Kingdom were compared with those in a large sample<sup>22</sup> of projects from OECD countries<sup>23</sup> found that the average preparation time for a large sample of road, rail and social projects was 52 months and the average implementation time was 40 months. Preparation times for rail and road projects, respectively 67 months and 56 months, were longer than for social projects, 37 months. These figures (which are simple averages) make the preparation times (using simple averages) in Viet Nam look short by comparison, which might not necessarily be a good thing if shorter preparation time leads to more problems and delays during implementation.
67. One conclusion from the analysis of preparation times (and the international comparison) is that it might be better to take longer in preparing projects and dedicate more resources to the task, especially for Investment Policy Decision, and avoid the need to make subsequent adjustments and suffer the procedural delays that this entails. Such an approach would need to involve a stronger independent review function (see Section 2, Legislative Review) to make sure that project documentation is of a high standard.

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<sup>21</sup> 'Reshaping British Infrastructure: Global Lessons to Improve Project Delivery', Boston Consulting Group, February 2024 [<https://www.bcg.com/united-kingdom/centre-for-growth/insights/reshaping-british-infrastructure-global-lessons-to-improve-project-delivery>]

<sup>22</sup> Sample drawn from a database of 2,300 infrastructure projects across 16 countries.

<sup>23</sup> France, Germany, United States, Australia and the Eurozone.

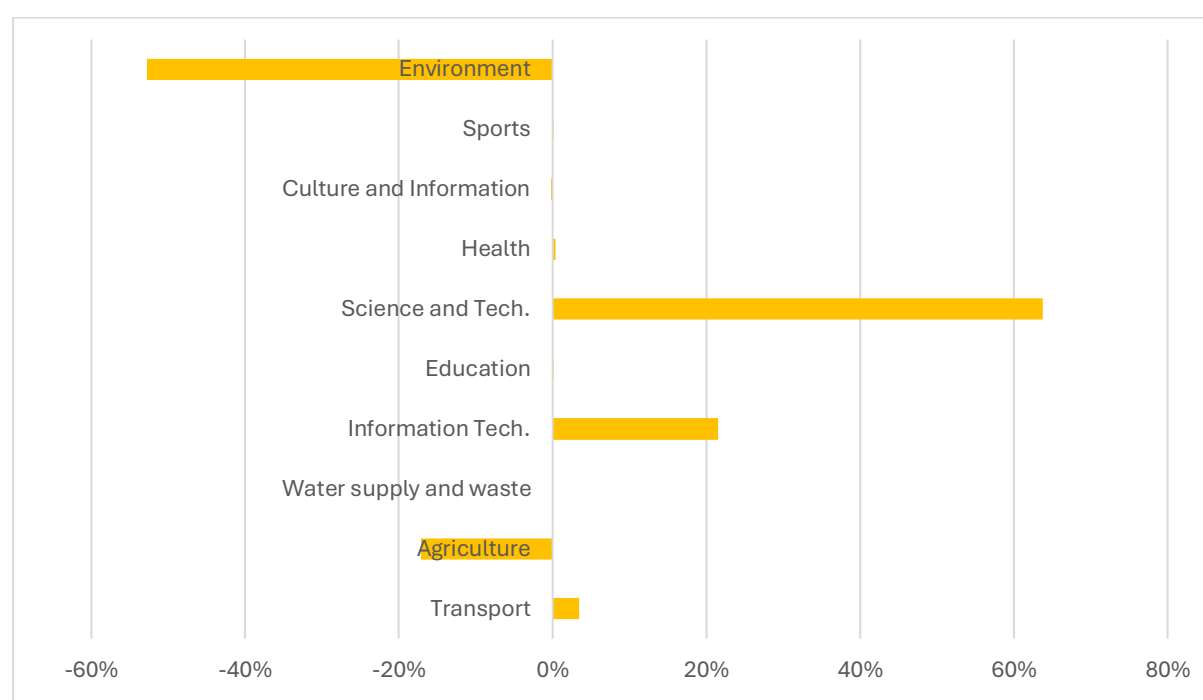
**Table 3.3: Average Preparation Times for Projects with Adjustment and Projects without Adjustment**

|            | Sector                          | Total number of projects having sufficient information on the dates of PFS and FS | Unweighted average months from original PFS to latest FS for projects |                         | Weighted average months from original PFS to latest FS for projects |                         |
|------------|---------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------|-------------------------|---------------------------------------------------------------------|-------------------------|
|            |                                 |                                                                                   | with time adjustment                                                  | without time adjustment | with time adjustment                                                | without time adjustment |
| <b>A.1</b> | <b>Construction projects</b>    | <b>75</b>                                                                         | <b>16.13</b>                                                          | <b>7.93</b>             | <b>37.88</b>                                                        | <b>13.45</b>            |
| I          | Economic Activities             | 20                                                                                | 26.97                                                                 | 7.67                    | 37.84                                                               | 15.82                   |
| I.1.       | Transport                       | 12                                                                                | 18.17                                                                 | 7.50                    | 38.26                                                               | 15.19                   |
| I.4        | Agriculture                     | 5                                                                                 | 21.20                                                                 | 12.67                   | 29.25                                                               | 6.50                    |
| I.6        | Water supply and waste          | 1                                                                                 | 53                                                                    | -                       | 53.00                                                               | 0.00                    |
| I.7        | Information Tech.               | 2                                                                                 | 15.50                                                                 | 10.50                   | 31.00                                                               | 21.00                   |
| II         | Education                       | 7                                                                                 | 5.86                                                                  | 6.43                    | 41.00                                                               | 7.44                    |
| III        | Science and Tech.               | 1                                                                                 | 40                                                                    | -                       | 40.00                                                               | 0.00                    |
| IV         | Health                          | 16                                                                                | -                                                                     | 16.75                   | 0.00                                                                | 15.08                   |
| V          | Culture and Information         | 6                                                                                 | 6.67                                                                  | 3.33                    | 40.00                                                               | 3.83                    |
| VI         | Sports                          | 2                                                                                 | 44                                                                    | 3                       | 88.00                                                               | 6.00                    |
| VI         | Environment                     | 13                                                                                | 15.38                                                                 | 8.77                    | 37.33                                                               | 13.59                   |
| VII        | Investment preparation          | 1                                                                                 | -                                                                     | 5                       | 0.00                                                                | 5.00                    |
| VIII       | Projects funded from land sales | 9                                                                                 | 6.33                                                                  | 20.44                   | 23.26                                                               | 3.98                    |
| IX         | State management                | -                                                                                 | -                                                                     | -                       | n/a                                                                 | n/a                     |

## Analysis of Cost Adjustments during Project Preparation

68. There have been relatively few cost adjustments in the portfolio. Investment Policy Decisions for 9 projects in the portfolio involved cost adjustments. Of these, costs were increased for 8 projects and were decreased for 1 project. Investment Decisions for 19 projects involved cost adjustments. Of these, costs were increased for 18 projects and decreased for 1 project. Since some projects involved cost adjustments in both Investment Policy Decisions and Investment Decisions, total number of projects having cost adjustments in all cases are 27 projects.
69. Overall, the combined effect of these cost adjustments was a relatively small increase of 4%<sup>24</sup> in the total cost of the 27 projects involved. This aggregate figure hides considerable variation between sectors. For example, Science and Technology and Information Technology had substantial upward cost adjustments of 64% and 22% respectively. In contrast, Environment and Agriculture faced downward cost adjustments of 53% and 17%, respectively (see Table 3.4). However, sectors with the widest variations are those with the smallest expenditure and have little impact on the global figure for all sectors.

**Figure 3.4: Cost adjustment from PFS to FS**



70. The 27 projects involving cost adjustments represent 35% of the number of projects for which adequate information was provided to make an assessment of changes in project costs during preparation<sup>25</sup>. Of those projects where costs increased, 84% (616 out of 19

<sup>24</sup> This figure excludes the effect of a major World Bank project where costs moved little. If this project is included, the net increase in the cost of implementing the portfolio falls to 2%.

<sup>25</sup> Project providing adequate cost information include those presenting cost estimate in the original Investment Policy Decision and in at least one Investment Decision, and not having conflicting issuance dates of those documents (e.g. issuance date of Investment Decision must be later than that of Investment Policy Decision). Projects, which do not satisfy those conditions, are dropped out from the analysis. As seen in Table 5, 46% of projects (or 65 out of 142 projects) are disqualified from the analysis, indicating poor information management system.

projects) experienced a significant cost increase (defined as an increase >5%). Of those projects where costs decreased, 50% (4 out of 8 projects) of projects experienced a significant cost decrease (defined as a decrease >5%), see Table 3.5.

71. The first cost estimate is made for the Investment Policy Decision when the details of the project are not yet fully worked out; as such, the margin of error would be expected to be high. Given this, the number of projects experiencing cost adjustments seems very low, supporting the view that cost adjustments are avoided if at all possible. In a good practice system, the costs of all projects would be expected to change between the estimate made at preliminary screening stage and that prepared for ex-ante evaluation, when more details of the project will be known. For those projects where costs are adjusted in Viet Nam, the overall percentage cost adjustment is surprisingly low, notwithstanding some significant sectoral differences as indicated.

**Table 3.4: Projects Experiencing Cost Adjustments during Preparation**

|      | Sector                          | Cost adjustment in PFS                          |          |          | Cost adjustment in FS                          |          |          | % cost adjustment from the original PFS decision to the latest FS decision |                                        |          |
|------|---------------------------------|-------------------------------------------------|----------|----------|------------------------------------------------|----------|----------|----------------------------------------------------------------------------|----------------------------------------|----------|
|      |                                 | No. of projects involved cost adjustment to PFS | Increase | Decrease | No. of projects involved cost adjustment to FS | Increase | Decrease | Total costs allocated in the original PFS                                  | Total costs allocated in the latest FS | % change |
| A.1  | Construction projects           | 9                                               | 8        | 1        | 19                                             | 18       | 1        | 31,275,186                                                                 | 30,041,879                             | -3.94    |
| I    | Economic Activities             | 5                                               | 4        | 1        | 6                                              | 5        | 1        | 10,733,522                                                                 | 10,899,352                             | 1.54     |
| I.1. | Transport                       | 3                                               | 3        | -        | 4                                              | 3        | 1        | 7,128,330                                                                  | 7,375,697                              | 3.47     |
| I.4  | Agriculture                     | 1                                               | -        | 1        | 1                                              | 1        | -        | 1,567,141                                                                  | 1,298,896                              | -17.12   |
| I.6  | Water supply and waste          | -                                               | -        | -        | -                                              | -        | -        | 1,170,470                                                                  | 1,170,470                              | 0.00     |
| I.7  | Information Tech.               | 1                                               | 1        | -        | 1                                              | 1        | -        | 867,581                                                                    | 1,054,289                              | 21.52    |
| II   | Education                       | 1                                               | 1        | -        | 1                                              | 1        | -        | 2,148,622                                                                  | 2,150,864                              | 0.10     |
| III  | Science and Tech.               | 1                                               | 1        | -        | 1                                              | 1        | -        | 81,176                                                                     | 132,930                                | 63.75    |
| IV   | Health                          | -                                               | -        | -        | -                                              | -        | -        | 7,122,398                                                                  | 7,149,569                              | 0.38     |
| V    | Culture and Information         | -                                               | -        | -        | -                                              | -        | -        | 1,696,029                                                                  | 1,691,752                              | -0.25    |
| VI   | Sports                          | 1                                               | 1        | -        | 1                                              | 1        | -        | 228,388                                                                    | 228,388                                | 0.00     |
| VI   | Environment                     | -                                               | -        | -        | 1                                              | 1        | -        | 3,640,247                                                                  | 1,719,058                              | -52.78   |
| VII  | Investment preparation          | 1                                               | 1        | -        | -                                              | -        | -        | 87,678                                                                     | 87,678                                 | 0.00     |
| VIII | Projects funded from land sales | -                                               | -        | -        | 9                                              | 9        | -        | 5,446,940                                                                  | 5,892,103                              | 8.17     |
| IX   | State management                | -                                               | -        | -        | -                                              | -        | -        | 90,186                                                                     | 90,186                                 | 0.00     |

**Table 3.5: Summary of cost adjustment in all projects in the MTIP portfolio**

| Indicator                                                  | Cost information in MTIP project |                               |                                  |                                   | Number of projects having cost increase |                                                         | Number of projects having cost reduction |                                                          |
|------------------------------------------------------------|----------------------------------|-------------------------------|----------------------------------|-----------------------------------|-----------------------------------------|---------------------------------------------------------|------------------------------------------|----------------------------------------------------------|
|                                                            | Total, of which                  | Projects with cost adjustment | Projects without cost adjustment | Projects missing cost information | Total                                   | Of which, projects having cost increase by more than 5% | Total                                    | Of which, projects having cost reduction by more than 5% |
| Number of projects                                         | 142                              | 27                            | 50                               | 65                                | 19                                      | 16                                                      | 8                                        | 4                                                        |
| % in total projects                                        |                                  | 19%                           | 35%                              | 46%                               |                                         |                                                         |                                          |                                                          |
| % in total number of projects having sufficient cost info. | 77                               | 35%                           | 65%                              |                                   |                                         |                                                         |                                          |                                                          |

**Analysis of Implementation Delays**

72. Information on the commencement date and the expected completion date for projects was requested, but the information received was incomplete and inconsistent. Instead, a proxy measures have been used to approximate the implementation time for projects and identify those that have or seem likely to exceed the legally mandated implementation time of 4 years for Group B projects. The law is unclear about when the clock starts ticking for the legally mandated implementation time and can be interpreted as meaning either from the Investment Decision or from the start of construction. For the purposes of this analysis the Investment Decision is taken as the starting point.
73. The proxy measures look at: i) the number of years between the Investment Decision (approval of the feasibility study) and the last year in which the project is currently allocated expenditure; ii) actual expenditure allocations and the calculated balance to complete, on the assumption that an insufficient allocation implies the need for additional allocations in years outside the mandated implementation period. Using these measures, the number of projects expected to experience delays has been approximated.

**Table 3.6: Estimated Number of Ongoing Projects Experiencing Implementation Delays**

|            | Sector                          | Ongoing project |              | Of which                               |              |                                       |              |                                                |              |
|------------|---------------------------------|-----------------|--------------|----------------------------------------|--------------|---------------------------------------|--------------|------------------------------------------------|--------------|
|            |                                 |                 |              | Expected to be completed by 31/12/2020 |              | Completed in the MTIP 2021-2025 cycle |              | To be carried over to the MTIP 2026-2030 cycle |              |
|            |                                 | Total           | Time overrun | Total                                  | Time overrun | Total                                 | Time overrun | Total                                          | Time overrun |
| <b>A.1</b> | <b>Construction projects</b>    | <b>108</b>      | <b>72</b>    | 33                                     | 17           | 69                                    | 52           | 6                                              | 3            |
| I          | Economic Activities             | 24              | 17           | 3                                      | 2            | 20                                    | 15           | 1                                              | 0            |
| I.1.       | Transport                       | 16              | 10           | 3                                      | 2            | 13                                    | 8            | 0                                              |              |
| I.4        | Agriculture                     | 5               | 4            | 0                                      | 0            | 4                                     | 4            | 1                                              | 0            |
| I.6        | Water supply and waste          | 1               | 1            |                                        |              | 1                                     | 1            |                                                |              |
| I.7        | Information Tech.               | 2               | 2            |                                        |              | 2                                     | 2            |                                                |              |
| II         | Education                       | 8               | 7            | 4                                      | 4            | 3                                     | 2            | 1                                              | 1            |
| III        | Science and Tech.               | 1               | 1            | 1                                      | 1            |                                       |              |                                                |              |
| IV         | Health                          | 17              | 16           | 4                                      | 3            | 11                                    | 11           | 2                                              | 2            |
| V          | Culture and Information         | 2               | 1            |                                        |              | 2                                     | 1            |                                                |              |
| VI         | Sports                          | 2               | 2            |                                        |              | 2                                     | 2            |                                                |              |
| VI         | Environment                     | 12              | 8            | 2                                      | 2            | 8                                     | 6            | 2                                              | 0            |
| VII        | Investment preparation          | 5               | 0            |                                        |              | 5                                     |              |                                                |              |
| VIII       | Projects funded from land sales | 36              | 20           | 19                                     | 5            | 17                                    | 15           |                                                |              |
| IX         | State management                | 1               | 0            |                                        |              | 1                                     |              |                                                |              |

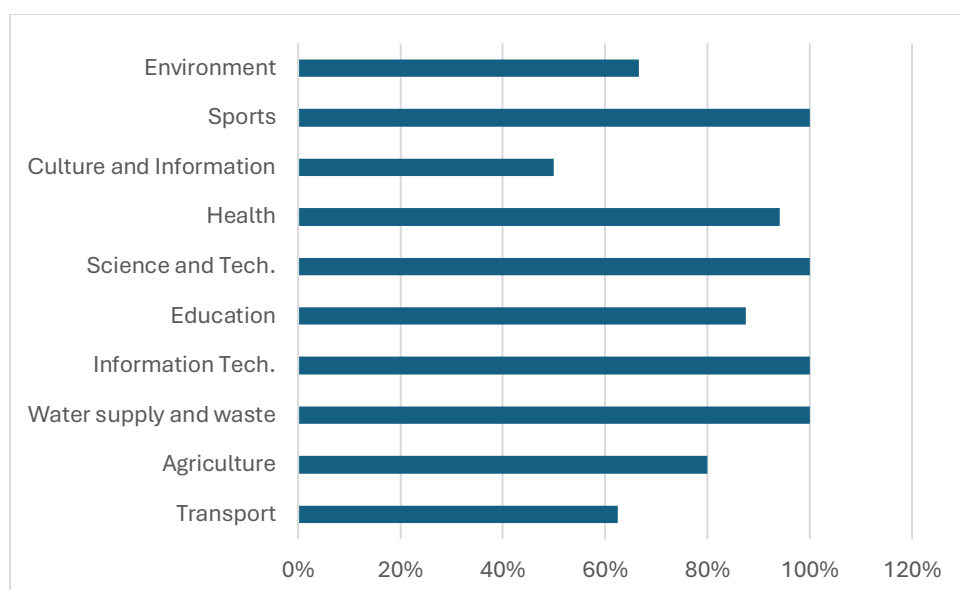
Explanatory Notes

1. Project being expected to be completed by 31/12/2020 is considered involving time overrun if allocation is still made for it in 2021-2025

2. Project being expected to be completed in the MTIP 2021-2025 is considered involving time overrun if actual disbursement in 2021-2025 is less than balance to complete as measured by difference between project cost in the latest approved Investment Decision and actual disbursement in 2016-2020.

3. Project being carried over to the MTIP 2026-2030 cycle is considered involving time overrun if its approving date of the latest Investment Decision was before 2022 (meaning that it will take more than 4 years to complete a Group B project).

**Figure 3.5: Time-overruns by sector**



74. Table 3.6 shows that out of a total of 108 ongoing projects, two thirds (72 projects) have been or are expected to be implemented over a period longer than 4 years. Of the delayed projects: 17 should have been completed by the beginning of the 2021-2025 MTIP cycle but were not; 52 are planned to be completed within the 2021-2025 MTIP cycle; and 3 are planned to be completed in the next MTIP cycle.

### **Data and Information Management Issues**

75. Checks were performed on the consistency of expenditure data and plans and several anomalies have been identified, as follows:

- i. The calculated balance to complete the ongoing projects in the portfolio (approved cost at Investment Decision minus expenditure during 2016-2020 MTIP) is more than the declared balance to complete. It is not clear why this should be so.
- ii. The total funding allocation in the MTIP (latest adjustment) is insufficient to complete all major projects in the 2021-2025 MTIP, based on the calculated balance to complete, meaning that more projects are likely to be carried over to 2026-2030 than declared (if they are to be completed as planned).
- iii. Taking account of actual expenditure from 2021 to 2023, the planned annual allocations (2024 and 2025) to the end of the 2021-2025 MTIP are also insufficient to complete all major projects in the 2021-2025 MTIP, but the shortfall is even greater than the latest MTIP allocations would suggest, implying an even larger potential carryover to 2026-2030.

76. These apparent inconsistencies cannot yet be explained based on the information available, but they are potentially revealing about the overall coherence of project and portfolio planning and management.

77. The information provided is not collected and collated by the province on a systematic basis. The DPI does not even have access to the necessary information to fulfil ad hoc requests. The PMUs have better information on individual projects under their responsibility, but do not assemble it in one place. In order to provide the information PMUs had to collect information from different sources, including consulting individual project documents. Some of the gaps in the data can be explained by incomplete documentation at the PMU level.
78. The anomalies in the data identified above and the incomplete information on project start dates and project completion dates point to the absence of an institutionalized portfolio management capability or external demand for portfolio reporting.
79. Good PIM relies on good data collection and management, and this is shown to be missing at province level. Da Nang is one of the better managed provinces and it is expected that the situation is not better, probably worse, in other provinces. In effect, no single entity is mandated to perform portfolio management. The first step is therefore to designate responsibility for this task. The next step is to provide the designated body with the necessary tools to carry out the task, i.e., a PIM information system (PIMIS), designed to follow projects from conception to completion and deliver regular portfolio reports including for medium-term budget planning purposes.

### **Recommendations**

- Introduce the idea of a “sell by date” for Investment Policy Decisions, so that after a specified period, say 2 years, they are no longer valid, unless they have been acted upon (i.e., feasibility study preparation has commenced), and must be renewed.
- Make it obligatory to include plans for ex-ante evaluation, including timetable and ToR for studies, in pre-feasibility studies and investment policy recommendation reports. Introduce mandatory reporting on progress in implementation of plans.
- Strengthen independent review function at ex-ante evaluation stage to reduce the number of projects that are subject to subsequent adjustment.
- Assign a specific portfolio monitoring and management function to MPI at national level and DPI at province level and equip the responsible bodies with the tools, including a PIMIS, and the authority (and associated sanctions) to collect portfolio data. At province level, begin with the largest projects managed by PMUs, before extending to Group C when the system has been demonstrated to be robust. An advantage is that PMUs are contracted on a project-by-project basis so that it can be made part of the contractual arrangements to provide accurate and timely information to a DPI-managed PIMIS.

### 3.2 Assessment of Evidence from Specific Projects

#### Assessment of National Pre-Implementation Documentation

80. A sample of project documentation for the pre-implementation phase – the strategic guidance and preliminary screening stage and the ex-ante evaluation stage<sup>26</sup> - of the project cycle was collected from a representative province. Reflecting areas of capital expenditure that are generally important for many provinces, project documents for transport and urban environmental services projects were selected for assessment. The documents in the sample are shown in Table 3.7.

**Table 3.7: Sample of Project Documents for Pre-Implementation Stages**

| Sector                               | Title of Project Document                                                         |
|--------------------------------------|-----------------------------------------------------------------------------------|
| <b>Water &amp; Sanitation Sector</b> | 1. Son Tra Waste-Water Treatment Project Investment Policy Proposal Reports (PFS) |
|                                      | 2. Son Tra Waste-Water Treatment Project Feasibility Study                        |
| <b>Solid Waste Management Sector</b> | 3. Khanh Son Landfill Leachate Treatment Project Feasibility Study                |
|                                      | 4. Son Tra Solid Waste Transfer Station Investment Policy Proposal Report (PFS)   |
|                                      | 5. Son Tra Solid Waste Transfer Station Feasibility Study                         |
| <b>(Urban) Transport</b>             | 6. Western Ring-road Feasibility Study                                            |
|                                      | 7. Quang Da Bridge and Connection Road Investment Policy Proposal Report (PFS)    |
|                                      | 8. Hoa Bac Commune Resettlement Project Feasibility Study#                        |

# Study not assessed in depth because resettlement should generally be assessed as part of the bigger project to which it belongs (even if the two are treated separately for budgetary purposes).

81. The sample of Group B projects<sup>27</sup> is relatively small and not necessarily random; however, in spite of these limitations, it was expected to yield some useful insights into the quality of project preparation in Viet Nam, especially the “quality-at-entry” processes preceding a decision to fund a project through the budget. Complete documentation – both investment policy proposal and feasibility study - was only received for two projects, the Son Tra waste-water treatment project and the Son Tra solid waste transfer project.

82. The documentation has been benchmarked against international good practices and the results are shown in Table 3.8 and Table 3.9. Table 3.8 shows the assessment of three investment policy proposals against 11 criteria. Table 3.9 shows the assessment of four feasibility studies (the basis for the investment decision) against 12 criteria. The criteria used in each case represent the main elements that would normally be expected to form

<sup>26</sup> These are the first two stages of the World Bank’s 8-function conceptual framework.

<sup>27</sup> Group B projects are major projects for most provinces. Most provinces outside Hanoi and HCMC undertake few if any Group A projects.

part of a good practice example of project documentation at these two stages in the project cycle. The assessments classify the completeness of each element using three ratings – “complete”; “partially complete”; and “missing”.

## **Findings from the Assessments**

### Investment Policy Proposals

83. Although there is variability in ratings between projects for certain criteria, the ratings are consistent between projects for most criteria, which suggests some common strengths and weaknesses.
84. On the positive side, all three documents do a good job of setting out the nature of the problem/opportunity to be addressed and the strategic relevance of the project, relating the projects to the higher-level planning framework of strategies and plans and demonstrating their alignment. This is an important strength, because this is usually seen as the core focus of documentation at this stage in the project cycle. At the same time, as reported in the legal analysis (Section 2), strategic relevance is usually interpreted simply as a project appearing in the (long) list of projects in the plan.
85. On the negative side, there are consistent weaknesses across projects in ratings for analysis of alternative options to the project, preliminary analysis of risk, including climate change risk, and preliminary assessment of operational sustainability. While definitive assessments of risk and operational sustainability, from both financial and institutional perspectives, would not usually be expected at this stage, it is usual to at least identify the issues to be addressed at feasibility study stage. The failure to consider alternatives is concerning; at this stage in the project cycle, it is usual to consider an array of alternative project solutions and demonstrate the advantage of the preferred solution (or solutions) that would then be examined in more depth in the feasibility study.
86. Life-cycle costing in the sample is partial, with no attention to variations in operations and maintenance expenditures over the lives of the projects. Definitive costing of operations and maintenance is not usually expected at this stage, but indicative costing is useful. Similarly, analysis of socio-economic efficiency and assessment of environmental and social impacts are incomplete across projects. As with other criteria, only preliminary assessments would normally be expected, but these should be based on some evidence, rather than assertions. It is the absence of such evidence to support judgements about the sample projects that is of most concern.
87. The quality of demand analysis is patchy between documents, with stronger treatment on one project compared to the others. Solid demand analysis, based on available data, is an important way of demonstrating the need for investment and deserves consistent attention across projects.
88. All in all, compared to international good practice, it is apparent that concepts are less fully developed in the Vietnamese context at the point where a decision is taken to move to a feasibility study. Paradoxically, this is the most critical decision in Viet Nam, since once it is made it is almost impossible to reverse, as explained in the analysis of the legal framework (Section 2).

## Feasibility Studies

89. Compared to the sample of investment policy proposals, there is greater variability in the quality of the sample documentation, and common strengths across feasibility studies are less easy to see. Nevertheless, implementation planning and environmental and social impact assessment stand out as areas that are relatively well done, although there are some gaps, particularly in relation to assessing variations in a project's impact across different strata of society.
90. There are some positive aspects of demand forecasting and life-cycle costing, but these areas still fall short of international good practice. Demand forecasts are prepared at an aggregated level and there are no breakdowns by component. Evidence to support demand forecasts is also lacking. As for life-cycle costing, estimates of post-completion expenditures are better for operations than they are for maintenance, which are notably lacking when it comes to cost estimate for periodic maintenance interventions, e.g., replacement of life-expired equipment or other project elements before the end of the project analysis period.
91. There is wide variation in the sample when it comes to the application of rigorous methods for analysing socio-economic efficiency. Social cost-benefit analysis (SCBA) has been applied in two projects only; the other two projects dealt with socio-economic efficiency in qualitative terms only. For the projects where SCBA was used, it is evident that no standardized methodology was applied and the supporting information provided is insufficient to replicate the results, making it difficult for independent reviewers.
92. Consideration of alternative solutions to the preferred projects is marginally stronger than at investment policy decision stage, with two projects presenting alternatives and reasons for their rejection, but in qualitative terms only. Probably by coincidence, these projects are not the projects where rigorous socioeconomic efficiency methods were applied, which is unfortunate, since such methods, especially cost-effectiveness analysis, could have helped in selecting the optimal solution.
93. Mixed performance was found in relation to risk analysis and operational planning. The projects where SCBA was performed, also undertook sensitivity analysis where the analysis was replayed with less optimistic assumptions concerning capital costs and benefits. This is positive. For two projects, operational arrangements were also examined, although not at an adequate depth. These are the bright spots; otherwise, minimum requirements were not satisfied for analysis of risk analysis and of operational feasibility.
94. The sample projects are almost uniformly weak when it comes to financial analysis, climate change and monitoring and evaluation arrangements. Quantified financial sustainability analysis has not been carried out, so it is not possible to understand whether revenue generation - or in the absence of revenue generation the province budget - will be sufficient to ensure continuous delivery of services over the projects' lives. Climate change risk is barely touched upon and indicators of success and the arrangements for collecting and reporting on such indicators are absent.

**Table 3.8: Benchmarking Against International Good Practice: Assessment of a Sample of Investment Policy Proposals**

[Complete/Partial/Missing]

|                                                                                        | <b>Son Tra Waste-Water Treatment Project Investment Policy Proposal Reports</b> | <b>Son Tra Solid Waste Transfer Station Investment Policy Proposal Report</b>                                         | <b>Quang Da Bridge and Connection Road Investment Policy Proposal Appraisal Report</b>                                                   |
|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1. Statement of problem or opportunity and project rationale</b>                    | Complete                                                                        | Partial – problem identified, but scale not quantified                                                                | Complete                                                                                                                                 |
| <b>2. Preliminary demand analysis</b>                                                  | Complete                                                                        | Partial – high-level demand analysis with little supporting evidence                                                  | Missing                                                                                                                                  |
| <b>3. Verification of strategic relevance (consistency with plans)</b>                 | Complete                                                                        | Partial – intervention is related to various legal backups, but not clearly refers to any strategic plan              | Complete                                                                                                                                 |
| <b>4. Life-cycle costing</b>                                                           | Partial – lifetime O&M costs not estimated                                      | Partial – only initial investment costs and first-year operating costs presented                                      | Partial – lifetime O&M costs not estimated                                                                                               |
| <b>5. Analysis of alternative options (solutions) for achieving project objectives</b> | Missing                                                                         | Missing                                                                                                               | Missing                                                                                                                                  |
| <b>6. Preliminary assessment of potential social profitability</b>                     | Partial - benefits/beneficiaries identified, but their scale is not quantified  | Partial – cost savings and environmental amenity benefits and other benefits asserted but not supported with evidence | Partial – “economic development” benefits assumed to outweigh costs, but no supporting evidence provided; traffic benefits not assessed. |

|                                                                                              |                                                                                                                             |                                                                                                                  |                                                                                                                            |
|----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| <b>7. Preliminary identification of risk</b>                                                 | Missing                                                                                                                     | Missing                                                                                                          | Missing                                                                                                                    |
| <b>8. Preliminary assessment of climate change risk and impacts</b>                          | Missing                                                                                                                     | Missing                                                                                                          | Missing                                                                                                                    |
| <b>9. Preliminary assessment of operational sustainability (institutional and financial)</b> | Missing                                                                                                                     | Partial – operating model (briefly) mentioned, but not justified; sources for O&M funding not identified         | Missing                                                                                                                    |
| <b>10. Preliminary assessment of environmental and social sustainability</b>                 | Partial – environmental effects and mitigation are core to the project; however little attention is given to social issues. | Partial – environmental amenity improvements mentioned, but wider environmental and social issues not identified | Missing – mitigation requirements mentioned, but not the effects to be mitigated; no consideration of resettlement issues. |
| <b>11. Identification of further studies</b>                                                 | Missing                                                                                                                     | Missing                                                                                                          | Missing                                                                                                                    |

**Table 3.9: Benchmarking Against International Good Practice: Assessment of a Sample of Feasibility Studies**

[Complete/Partial/Missing]

|                                                    | <b>Son Tra Waste-Water Treatment Project Feasibility Study</b>                                                                  | <b>Khanh Son Landfill Leachate Treatment Project Feasibility Study</b>                                                       | <b>Son Tra Solid Waste Transfer Station Feasibility Study</b>                                                                                    | <b>Western Ring-road Feasibility Study</b>                                                                                                                                   |
|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1. Detailed demand forecasts – by component</b> | Partial – Figures for production of wastewater are not broken down, e.g., by household/tourism/public institutions (or similar) | Partial – basis for forecasts not fully explained and difficult to reconcile forecasts with proposed capacity of the project | Partial – superficial demand forecasts, not broken down by sources of waste and difficult to reconcile with the proposed capacity of the project | Partial – no dedicated traffic surveys carried out; no differentiation between diverted and generated traffic; not possible to replicate forecasts from information provided |

|                                                                                                                                                                      | <b>Son Tra Waste-Water Treatment Project Feasibility Study</b>                                                                    | <b>Khanh Son Landfill Leachate Treatment Project Feasibility Study</b>                                                                                                                           | <b>Son Tra Solid Waste Transfer Station Feasibility Study</b>                                                                                                                           | <b>Western Ring-road Feasibility Study</b>                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2. Life-cycle costing</b>                                                                                                                                         | Partial – only superficial (“rule-of-thumb”) estimates of O&M costs (2% of capital)                                               | Partial – annual operating costs have been calculated in detail, but there are no figures for maintenance, including equipment replacement over the project’s life.                              | Partial – figure for annual operating costs provided, but not justified, except labour component                                                                                        | Partial – derivation of O&M costs not justified.                                                                                                  |
| <b>3. Analysis of socio-economic efficiency using discounted cash flow analysis, either social cost-benefit analysis (SCBA) or cost-effectiveness analysis (CEA)</b> | Complete – SCBA performed, but not according to a standardised methodology                                                        | Missing – CEA would be appropriate in this case (especially useful for choosing between options), but not performed                                                                              | Missing – SCBA not performed, although there are quantifiable benefits from operating cost savings, recycling, and environmental amenity improvements (not easy to value, but possible) | Complete – SCBA performed, but not according to a standardised methodology                                                                        |
| <b>4. Sufficient information for an external reviewer to reproduce findings from SCBA, including justification of assumptions</b>                                    | Partial – Inadequate information on demand, benefits and cost provided for an external reviewer recalculate the ENPV from scratch | Missing – see above                                                                                                                                                                              | Missing – see above                                                                                                                                                                     | Partial – Insufficient information on the derivation of traffic forecasts and benefits is provided to replicate the ENPV calculation from scratch |
| <b>5. Analysis of alternative options for achieving project objectives</b>                                                                                           | Missing – alternatives not considered                                                                                             | Partial – several options are explored, and the pros and cons set out; however, a more structured assessment of options using multi-criteria analysis could have been applied and CEA could have | Partial – different technical options are considered, and a choice made, but the options are not compared in a systematic way using CEA or multi-criteria analysis                      | Missing – alternatives not considered                                                                                                             |

|                                                               | <b>Son Tra Waste-Water Treatment Project Feasibility Study</b>                                                                                                                                  | <b>Khanh Son Landfill Leachate Treatment Project Feasibility Study</b>                                                               | <b>Son Tra Solid Waste Transfer Station Feasibility Study</b>                                                                                                         | <b>Western Ring-road Feasibility Study</b>                                                                                                                              |
|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                               |                                                                                                                                                                                                 | been used to identify the least cost option                                                                                          |                                                                                                                                                                       |                                                                                                                                                                         |
| <b>6. Financial sustainability and fiscal impact analysis</b> | Partial – financial gap during operation identified, but not quantified year by year, and no substantiated plan for filling the gap beyond an assumption that the province budget will cover it | Missing - no financial analysis from the perspective of the operating entity                                                         | Missing                                                                                                                                                               | Missing – while no financial analysis is required for a project that does not generate revenues, a fiscal sustainability analysis is required for the operational phase |
| <b>7. Risk analysis and planning</b>                          | Partial – sensitivity analysis performed, but: assumptions for SCBA not justified; in-depth risk assessment not performed; no risk register or risk management plan                             | Missing – except environmental risks (assessed under 11.)                                                                            | Missing – except environmental risks (assessed under 11.)                                                                                                             | Partial – sensitivity analysis performed, but: assumptions for SCBA not justified; in-depth risk assessment not performed; no risk register or risk management plan     |
| <b>8. Climate change risk and adaptation</b>                  | Missing – no explicit treatment of climate change risk and optimization of adaptation                                                                                                           | Missing – increasing frequency/intensity of stormwater runoff could have a significant impact on this project, but is not considered | Partial – typhoon risk is considered, but not how this risk might change in the future because of climate change, and not specific adaptation measures are considered | Missing – no explicit treatment of climate change risk and optimization of adaptation                                                                                   |
| <b>9. Implementation planning</b>                             | Complete – no annual disbursement plan                                                                                                                                                          | Complete                                                                                                                             | Partial – organizational responsibilities defined, but implementation plan is superficial                                                                             | Complete – no annual disbursement plan                                                                                                                                  |

|                                                                            | <b>Son Tra Waste-Water Treatment Project Feasibility Study</b>                                    | <b>Khanh Son Landfill Leachate Treatment Project Feasibility Study</b>                                                         | <b>Son Tra Solid Waste Transfer Station Feasibility Study</b>                                                                                                                    | <b>Western Ring-road Feasibility Study</b>                                                                |
|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| <b>10. Operational planning</b>                                            | Missing – organizational arrangements and capacities for operation not dealt with                 | Partial – feasibility of proposed operating model – selection of O&M company through competitive bidding - is not demonstrated | Partial – staffing requirements for operation estimated, but not costed and organizational arrangement for operation not explored in depth (options presented, but not analysed) | Missing – organizational arrangements and capacities for operation not dealt with                         |
| <b>11. Social and environmental impact assessment and mitigation plans</b> | Partial – no social impact assessment                                                             | Complete – no social impact assessment, but probably not so important for this project                                         | Partial – superficial environmental impact assessment, involving no quantification; no social impact assessment. Mitigation measure proposed but not costed                      | Partial – includes resettlement plan, but impacts only dealt with in qualitative terms                    |
| <b>12. Monitoring and evaluation indicators and arrangements</b>           | Missing – no information on arrangements for collected and analysing measures of projects success | Missing – no information on arrangements for collected and analysing measures of projects success Missing                      | Missing – no information on arrangements for collected and analysing measures of projects success Missing                                                                        | Missing – no information on arrangements for collected and analysing measures of projects success Missing |

## **Recommendations for Improving Project Preparation**

95. The findings from the analysis of the sample of project documentation from the project preparation stage yield some important recommendations for improving the quality of preliminary screening and ex-ante evaluation, as follows:

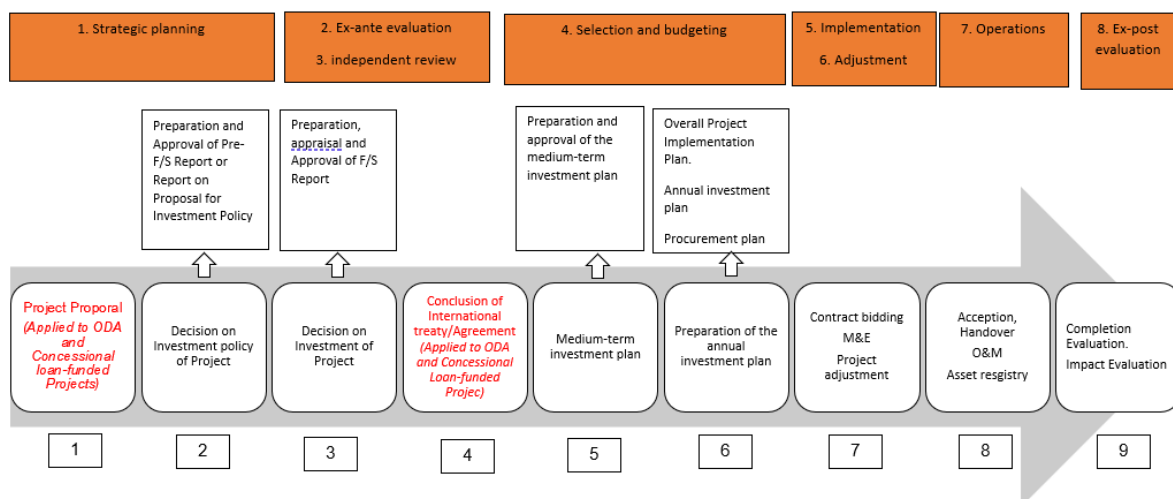
- Strengthen the evidence base and analysis of demand to better demonstrate the need for the new facilities, including wider use of surveys at feasibility study stage and analysis by components.
- Estimate life-cycle costs, including for maintenance and replacement of life-expired equipment, and ensure that these costs are reflected in SCBA/CEA.
- Strengthen socio-economic efficiency analysis by making SCBA the default analytical method, with CEA as an alternative in cases where it can be demonstrated by reference to international experience that benefits are difficult to monetize.
- Improve transparency of estimation methods and numbers so that independent reviewers can reproduce the results of socio-economic efficiency analysis.
- Add a more structured analysis of options to better demonstrate the choice of preferred option, preferably using SCBA or CEA, but at a minimum MCA.
- Introduce a structured assessment of risks (to implementation and operation) and their mitigation, and where mitigation is not possible or partial, include a risk management plan with designated responsibilities for monitoring and managing each risk.
- Include analysis of climate change considerations in methodologies for Investment Policy Proposals and feasibility studies, from both mitigation and adaptation perspectives.
- Provide more detail and justification for proposed plans for operation and management of the facilities upon completion to demonstrate institutional and financial sustainability.
- Extend social and environmental impact analysis beyond the construction phase and quantify impacts as much as possible.
- Identify and quantify winners and losers from the project in terms of their gains and losses and social and economic characteristics.
- Include monitoring and evaluation indicators in feasibility studies and set out arrangements for collecting and collating data so that project success can be assessed.

### 3.3 Assessment of Evidence from a Sample of ODA Projects

#### Introduction

96. The assessment refers as much as possible to criteria from existing PIM assessment frameworks. It also draws attention to i) cumulative effects – where problems at one stage in the public investment cycle have repercussions at later stages; and ii) the distinction between transitional issues and systemic issues – where the former may be more important to individual projects and the latter of greater gravity for the investment program as a whole. Both of these factors have been found to be important.
97. The assessment follows the main PIM stages (see Section 1). The assessment of one stage is not independent of the assessment at a subsequent stage. For example, weaknesses during planning and appraisal feed through to implementation and adjustment where they become apparent in cost overruns and delays. If there are existing difficulties at these downstream stages, they will tend to be amplified by problems introduced at planning and appraisal.
98. A sample of projects were selected for review as follows:
- Vinh Long City Urban Development and Enhanced Climate Resilience Project in Vinh Long Province (Cr.6722-VN)
  - Vietnam Scaling-Up Urban Upgrading Project (SUUP - Cr. 6055-VN, Cr. 6056-VN) in Vinh Long and Ben Tre Provinces
  - Dam Rehabilitation and Safety Improvement Project (Cr. 5749 VN) in Hoa Binh, Thanh Hoa and Dak Lak Provinces

**Figure 3.6: Public Investment Cycle**



99. Long duration projects may be caught out by changes in the legal and regulatory framework, especially if interim arrangements for ongoing projects are not well designed. These may be considered as transitional rather than systemic issues. However, transitional issues may expose deeper systemic issues or be made worse by existing flaws in PIM system. The

assessment has tried to draw this distinction between systemic and transitional problems and the interactions between the two. The assessment will show that this has occurred in the case of one of the sample projects, with severe implications.

## **Strategic Guidance and Preliminary Screening**

### Project scope/type

100. The traditional “umbrella” design for ODA projects is being replaced by other forms. Umbrella projects, in which line ministries take on a central management role, cause a lot of delay in implementation, especially with respect to adjustment of the project as a whole and its sub-projects, in the context of new State management structures and mechanisms governed by the Budget Law, Public Debt Management Law and Public Investment Law. This constraint is clearly demonstrated in Dam safety rehabilitation project, where the Ministry of Agriculture and Rural Development (MARD) and its central project office (CPO) took on the central management role. A “cluster” of projects can be seen as a kind of creative umbrella project design, where the role, function and responsibility of the involved local governments are fully demonstrated, while the line agencies just provide technical reviews or advice within their state management authority. Scaling-up urban upgrading project (SUUP) is a success story thanks to this organizational structure.
101. The “umbrella” design for ODA projects has had demonstrated weaknesses, but a fully decentralized and fragmented model also has drawbacks. WB8 has demonstrated the inefficiencies of large umbrella projects under a central ministry (MARD in this case) and management/coordination unit (CPO in this case). The model involves multiple decision layers and long delays as approvals to (sometimes minor) changes in project components have to navigate the decision chain. The model has been discontinued (creating problems for projects designed as umbrella projects but caught in the transition, like WB8), but the alternative of multiple, isolated projects with individual provinces also has disadvantages in terms of lost coordination opportunities, lesson learning and economies of scale in capacity building. The SUUP project seems to have achieved a happy medium, with a light layer of coordination across province projects at the technical level for information sharing purposes, while provinces are able to manage and adjust projects themselves (within the limits of the PIL). The problem with so-called “cluster” projects is that some central coordination, policy development and technical advice for local government is still required. Since central government is not in receipt of the loan, additional grant-funded TA may therefore be required to mobilize consultants and training to all cluster projects and generate consolidated reports.

### Screening project concepts

102. The approach to costing of project proposals for Investment Policy Decisions lacks rigor and objectivity, leading to subsequent adjustments and delays when inaccuracies are exposed. This is particularly the case for ODA projects where land acquisition and resettlement costs may be deliberately underestimated by the authorities to accommodate constraints on counterpart funding. For example, an arbitrary (and unrealistic) figure of 5% of total construction costs was used as a basis for arriving at a figure for land acquisition and resettlement when preparing the WB8 project. This led to a funding shortfall once the true scale of these costs became apparent, i.e., when the province-level components of the wider umbrella project were prepared in depth and the initial allocations approved by the

PM proved inadequate. The adjustments to the documentation and related decisions required to ensure that province-level investments have adequate funding have been long and convoluted. In preparing the umbrella project, MARD expected to be able to make revisions relatively easily after approval, but the legal and regulatory framework changed in the meantime with the revised PIL and supporting regulations. This puts the PIL in a positive light because it is clearly now acting as an impediment to this kind of manipulation of costs; however, the consequences for the efficiency of implementation of projects caught in the transition have been severe. There is also plenty of evidence that poor cost estimation at this stage remains an issue, even under the new PIL.

### **Ex-ante Evaluation and Independent Review**

103. The absence of detailed regulations covering the documentary requirements to support an appraisal decision handicaps the adoption of good practices and obscures the audit trail. While the basic appraisal process is set out in higher-level legal instruments<sup>28</sup>, there is no detailed guidance on technical methods for appraisal or on the content of the documentation resulting from and informed by the application of such methods. So, while there is a clear legal requirement for project appraisal, the practical application of this requirement is subject to interpretation, leading to variations and inconsistencies in the information provided to decision makers. Different interpretations of the documentary requirements and a lack of clear rules concerning record-keeping also make it difficult to verify and audit decisions at a later stage.
104. Appraisal in Viet Nam is beset by inaccurate cost estimation, sometimes deliberate, particularly in relation to the cost of land and resettlement. As well as undermining the quality of decisions making, these inaccuracies impact the subsequent progress of project implementation because of the need to revisit prior decision steps (the Investment Policy Decision and the Investment Decision) to reflect revised and more accurate estimates. Rigid and slow-moving processes for approving revised cost estimates compound the impact of the original errors on implementation progress.
105. Project underspend may be as much a sign of weaknesses in project preparation as overspend is. Good practice requires that the logic for a project should be derived from a “theory of change” linking a problem or opportunity to an optimal solution. The results chain that emerges from the theory of change should link inputs, outputs and outcomes in a very specific way so that the desired changes in societal welfare are delivered in a way that represents value for money, i.e., delivers net benefits. The project that emerges should therefore represent a carefully structured design that is consistent with the achievement of an agreed set of objectives. If a project has been designed properly, then ad hoc changes to its main component parts<sup>29</sup> ought to be inconceivable as this would automatically compromise the attainment of the approved objectives. The proposed cuts by Vinh Long and Ben Tre have been without specific consideration of the effects on the projects’ results chains (see discussion below relating to on-lending, which suggests that portfolio factors

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<sup>28</sup> PIL and Construction law

<sup>29</sup> A project should never be so tightly specified that project managers are deprived of day-to-day flexibility to respond, within pre-defined thresholds, to new information and changing conditions, without approval from a higher authority, even for the minor adjustments.

and aggregate financial management were the drivers) and, as such, call into question the quality of the original conceptual design for the project and, indeed, the extent of any performance monitoring arrangements. Mistakenly, the provinces are in the belief that “downsizing” of projects would not warrant higher-level scrutiny, whereas such scrutiny should be concerned not only with cost control, but also the realization of planned benefits.

106. The ending of the “umbrella project” modality for ODA has had profound effects on execution rates for ongoing projects that were originally prepared and appraised in this format, but these transitional issues have also exposed some other systemic problems. One of the province-level projects in the sample, WB8, was initiated under a so-called “umbrella project”, under the leadership of a central ministry. During implementation, the regulatory environment was changed and this design modality was discontinued<sup>30</sup>, with implications for the project, which was still ongoing. New projects will be subject to the reformed regulatory regime from the outset, but for ongoing projects caught in the transition, like the one in the sample, their preparation and appraisal as part of umbrella projects has harmed their efficiency of execution. One of the main reasons for this is that the level of detail in the documentation for the original umbrella project, while sufficient at the time, was inadequate for the new regulatory regime. Consequently, adjustments had to be made, but without clear guidance on how this should be done and in the context of an already inflexible adjustment process.
107. Under the previous legal/regulatory framework<sup>31</sup>, before introduction of the PIL, the lead ministry for an umbrella ODA project proposed a funding list of projects, based on project outlines, for approval by the Prime Minister, and then went on to prepare and have approved a more detailed, but still general, feasibility study for the wider project. Provinces would then be expected to do more in-depth preparatory work for project-level sub-components, which would not have required high-level approval. For various reasons - some relating to weaknesses in project preparation and others resulting from regulatory changes, as discussed further below - adjustments have been required to projects in the original funding list. The need for adjustment of the wider project was revealed when provinces began preparing feasibility studies for province-level projects in line with the requirements of the PIL. However, the previous, lighter route for such an adjustment – approval of a revised list by the PM - has been closed by the PIL and, instead, a prefeasibility study had to be prepared by MARD to obtain a revised Investment Policy decision from PM<sup>32</sup>. This complicated the information requirements and procedures in a way that had not been anticipated in the original implementation timetable, to such an extent that MARD only submitted a revised proposal for an Investment Policy decision in late 2022. The process has not been helped by the absence of detailed guidelines on the new transitional arrangements. Under the new legal/regulatory framework, it can be expected that other, long-running ODA projects will have experienced the same situation in the transition to the PIL.

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<sup>30</sup> Decree No. 132/2018/ND-CP

<sup>31</sup> Decree No. 38/2013/ND-CP

<sup>32</sup> It was assumed that the original approval of the funding list was equivalent to an Investment Policy decision, as defined in the PIL, but this was not made explicit in the new regulatory framework. Under the PIL the procedure for making a submission for an Investment Policy decision is described in the recently issued Decree No. 114/2021/ND-CP.

108. Weak coordination between levels of government during project preparation has proved burdensome at later stages of the project cycle, when consequential corrective adjustments are required. Umbrella ODA projects, like WB8, which were prepared by central government (in this case the MARD) but serve lower levels of government, suffer from inherent coordination difficulties; however, more general weaknesses in stakeholder consultation during preparation are an issue that goes beyond umbrella ODA projects and impinges on successful execution. Following the PM's approval of the project list (as already mentioned), the CPO Water Resources, the project owner under the MARD, did not consult extensively with the eventual project owners at the provincial level during project preparation of the global feasibility study. This reflected several factors, including the wide geographical scope of the project, immaturity in the preparation of project sub-components and limited buy-in to the project at province level at this stage.
109. Important dimensions of project preparation are not allocated sufficient financial resources due to funding rigidities, leading to insufficient technical expertise and inaccurate costing. As evidenced by WB8, expenditure on survey work and market-based cost estimation for land acquisition and resettlement is governed by rigid and outdated expenditure norms<sup>33</sup> that do not reflect market realities, making it impossible to contract qualified consultants. This constraint has caused provinces to avoid using appropriately qualified experts to provide accurate information for feasibility studies. The consultants employed do not, in many cases, have the necessary professional skills to cover all the necessary aspects of land acquisition and compensation, resulting in underestimation of the scale of impact and costs. Often provinces have substituted professional consultants with Land Fund Development Centers (LFDCs). The LFDCs lack adequate staff numbers, accredited valuation expertise and data, with negative effects on the accuracy of the estimated land values included in the budgets of approved projects. A shortage of appropriately qualified and experienced experts to prepare inventories and estimate land compensation and resettlement costs is also a serious constraint.
110. Divergences between national and donor approaches to compensation of those affected by projects can cause serious delays as reconciliation of differences is sought. The World Bank approach to compensation is based on replacement cost, whereby compensation should fully reflect prevalent market values for land, structure, materials, crops and trees. Losers should therefore be fully compensated for any losses and experience no material decline in living standards. In cases where markets do not exist or function poorly, a livelihoods approach is adopted, whereby losers should be compensated so that they experience no overall change in their livelihoods. Making such estimates requires qualified and experienced valuers and a proper timeframe. Under the current Land Law, The Vietnamese system is governed by administered values for compensation, which are updated annually and do not directly reflect market values. The result is significant time lost during the difficult process of reconciling the two different approaches. Often estimates made using national systems have to be reviewed and revised to meet World Bank requirements. There is little doubt that other donors experience similar issues. The new Land Law 2024 will go some way to reducing the gap between approaches and bringing Viet Nam closer to a market-based approach.

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<sup>33</sup> Set by the Ministry of Construction.

111. Lack of professionalism in making estimates of land acquisition and resettlement costs frequently leads to problems in implementation when budgets are invariably found to be inadequate. When it comes to implementing such projects following the Investment Decision, land clearance frequently becomes a blockage to progress because of insufficient budget allocations to compensate current users of the land and disputes over valuations. Making savings in the cost of project preparation can often be counterproductive when inaccurate estimates have to be revised and projects are delayed by the lengthy adjustment process. Insufficient investment in the basic information tools is also detrimental to the quality of project preparation; for example, in the case of land valuation, the absence of database of land prices handicaps reliable estimation.
112. Consultation during project appraisal and review of appraisal is too narrow and often does not involve all the relevant stakeholders. Arising partly from weaknesses on the formal designation of roles and responsibilities in the PIM system, province departments with knowledge that is highly relevant to the appraisal decision may be left out of the appraisal process or have their involvement tightly circumscribed. In the case of WB8, DONRE was not invited to comment on the proposal, even though it would have had insights into issues around land acquisition costs and resettlement that later became problematic. The role of the DOF is also limited to assessing the availability of funds for the project as costed and does not extend to questioning the realism of the cost estimates for funding needs; in the case of WB8, a deeper involvement of the DOF could have revealed gaps in counterpart funding earlier. In the case of projects requiring central government approvals (as is the case with WB8), weaknesses in the inclusiveness of the appraisal process at province level increase the chances of rejections at the national level when planning inconsistencies become apparent. At the same time, failure to consult adequately at the province level are reflected in the project documentation for the original umbrella project prepared by the MARD.
113. Lack of truly independent review at appraisal allows unrealistic projects to receive positive appraisals and leads to later problems during execution, when adjustments are then required. This is revealed by the “low-balling” of certain cost components to get around funding rules (see the earlier discussion of land acquisition and resettlement costs). Adequate independent review by an objective player with sufficient authority could have prevented this. The lack of genuinely independent review process is a system-wide problem, which is compounded by a lack of a clear designation of responsibilities.

## **Project Selection and Budgeting**

### **Budgeting**

114. The application of two important changes in financial rules affecting the use of ODA have caused delays in selecting projects for implementation, while at the same time exposing shortfalls in project preparation and inefficiencies in the process for making adjustments to the structure of funding. The first change involved the introduction of a restriction on the use of foreign loans to pay taxes, fees and interest, requiring adjustments to the funding structure of projects to cover these cost items through counterpart funds. As

pressure on counterpart funds is already great because of, often underestimated, land acquisition and resettlement need, this change has further exposed shortfalls in allocation of state budget funds to ODA projects by provinces. The resulting delay has two dimensions: i) provinces must identify additional financial resources to close shortfalls; and ii) the adjustment to the structure of funding must be approved through both new investment policy decision and new investment decision. The second significant change involved the introduction of on-lending of sovereign foreign loans to provinces with the aim of improving accountability, but at the cost of considerable procedural complexity leading to delays in loan agreements between province People's Committees and the Ministry of Finance. These are largely transitional problems that will not affect properly prepared new projects, but they do highlight the cumbersome procedures for making adjustments to the funding structure of projects.

#### On-grant vs On-lending

115. New arrangements for on-lending, combined with province debt ceilings have created conditions where ODA loans sometimes go unused, creating instability for donors. Vinh Long and Ben Tre provide examples of provinces that are likely to return some of their borrowings through the SUPP project. Under the new Public Debt Management Law, separate loan agreements are made with individual provinces for their share of a larger ODA loan, as with SUUP project, for example, where seven separate agreements have been signed by the WB. Prior to this, an overarching loan would have been on-lent by the MOF to provinces. Each separate agreement has its own on-lending/on-granting ratio depending on the repayment capacity of the province. At the same time, provinces are subject to aggregate debt ceilings. Within this framework, provinces may find that they wish to allocate to other newly emerging project priorities within their loan ceiling or may find it easier to deliver certain project components through the province's own budgetary resources. Another incentive for not using loans to the full arises if adjustments are required: by keeping the value of a project below predefined limits, the province can retain control over decision-making without having to go to a higher authority to approve adjustments. Failing to use all of a loan would usually be expected to result in a project failing to meet its planned development objectives: the outputs delivered would fall short of those required to achieve the anticipated outcomes. However, the regulatory framework (Decree No. 114/2021/ND-CP) is not stringent in the level of detail required when specifying a project's results chain so allowing a high degree of fluidity in interpreting what a project's specific objectives are and whether they have been achieved. The MOF, with its eye on the fiscal aggregates, is not always unsympathetic to underutilization of loans, even if this has negative consequences for the effectiveness of a project.

### **Project Implementation, Monitoring and Adjustment**

#### Managing implementation

116. While largely positive, reforms to organizational arrangements for project management at the province level have caused transitional problems and will require further efforts especially in the area of building relationships with stakeholders to be fully embedded.

Changes brought in under the Construction Law<sup>34</sup>, which were aimed at improving the quality of project management and improving efficiency, have seen the replacement of ad hoc and transitory PMUs in ministries and department with more professional specialized bodies dedicated to implementing multiple larger infrastructure projects, whether ODA or domestically funded. At province level, this has generally seen the creation of specialized provincial PMUs (PPMUs) under the People's Committee (in its capacity as project owner), sometimes differentiated by funding source and other times not. In the case of WB8, the new arrangements resulted in the DARDs relinquishing control over implementation of the investment projects that they had proposed, appraised and, in some cases, begun to implement. Lacking experience of the particularities of the sector the new PPMUs have had teething problems, and resulting delays, in implementing the projects and in coordinating with the agencies responsible for operating the projects once completed.

117. The newly created specialist PPMUs are focused exclusively on project implementation and are failing to coordinate sufficiently on sector-specific issues with the provincial technical departments and the central ministries relevant to their projects. Evidence from WB8, indicates that PPMUs have not been following the coordination requirements set out in the project operational manual (PMO), which require tripartite coordination between the PPMUs, the central PMU for the umbrella project in MARD and the DARDs. This has led to inconsistencies with master planning and missed opportunities for sector-specific technical support and for leveraging resources from different spheres of interest – agriculture and development - including from the private sector. These coordination issues, which relate particularly to large ODA projects where component sub-projects remain to be decided after the main project is approved, are more systemic than transitional and are unlikely to be resolved without deliberate action.

#### Monitoring and adjustment

118. Organizational arrangements for monitoring implementation are diffuse. The roles and responsibilities of relevant province agencies, such as DPI, DARD and DONRE are not well defined. Linked to this issue, there is a poor coordination between province line departments and other local agencies, resulting in insufficient attention to monitoring implementation of project components, identifying significant problems early and putting in place solutions to these problems. The failure to address problems promptly has led to implementation bottlenecks and delays among the sample projects. Inspection and supervision activities of the line agencies and investors/project owners are not set up on permanent basis, contributing to a lack of timely and effective interventions when projects are facing problems and obstacles.
119. Monitoring tends to be passive – both province-wide and at the level of individual projects - and does not lead to fundamental review and adjustment of struggling projects. Evidence from the sample indicates that active monitoring – timely identification of problems and institution of swift corrective actions - and regular reviews of project implementation progress are not happening, resulting in problems not being identified and acted upon soon enough. Robust, province-specific systems are not in place for regular

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<sup>34</sup> Construction Law No. 50/2014/QH13 dated June 18, 2014 and the revised Construction Law No. 62/2020/QH14 dated June 17, 2020, Decree No. 59/2015/ND-CP dated June 18/ 2015 and Decree No. 15/2021/ND-CP dated March 3, 2021 of the Government

self-assessment and early identification and correction of problems or for following up on the application of corrective actions. Generally, only when problems become too big to ignore is action taken, and this is often too late to avoid substantial delays and damage to the overall success of projects. The example of WB8 is pertinent in this respect: the extreme delays being experienced – which threaten to impinge on the achievement of the project’s objectives in full - could have been significantly reduced if problems had been identified earlier and measures to resolve them instituted and followed up.

120. Flexible guidance on project adjustment procedures and responsibilities is missing. The high-level requirements for adjusting projects are set out in the legal framework but, in the absence of guidance on how to apply these requirements to specific cases, the tendency is to interpret the law rigidly. This applies both to adjustment during implementation and adjustment between initial project approval (investment policy decision or its equivalent) and the decision to proceed (investment decision). When there is a lack of guidance on procedures and responsibilities/delegation of responsibilities, the natural tendency is to “play safe” and escalate approval of adjustments to the highest level of authority, worsening delays. The latter is illustrated by WB8, where the absence of clear procedural guidance on adjustment has contributed to a delay of two years in central ministry approval of an updated feasibility study (the basis for and investment decision) to reflect the 10-year gap since the original project documentation was produced. This delay has left insufficient time for implementation, seriously compromising the success of the project.

Disbursement: commitment control/payment

121. Treasury practices can make it difficult to assess the timeliness of the arrival of funds for efficient project implementation; however, it can be surmised that from the lack of transparency is that flow of funds may be an issue. The payment process and timescales are clearly established in the regulatory framework<sup>35</sup>, but current Treasury practices, which encourage budget users to leave payment requests undated, make it impossible to determine whether the timescales are being met, and the obvious inference is that they are not. Late payments and the resulting impacts on cash flow can have significant effects on contractor performance, particularly in the SME category, and ultimately on project implementation. Systematic late payment across the construction sector can have wider macroeconomic effects.

**Ex Post Review**

122. Performance monitoring and evaluation does not operate effectively in spite of a well-established legal framework<sup>36</sup>. Monitoring activities of projects are not carried out in a systematic manner and mainly serve the requirements of financial reporting (disbursement figures) and problem-solving during implementation. Tracking performance indicators and results frameworks is given little attention, preventing timely adjustments in relation to the achievement of project objectives and outcomes. Lack of institutional and organizational

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<sup>35</sup> Circular 62/2020/TT-BTC sets out Treasury procedures in verifying the payment of public expenditure: payment is required to be made 2 days after acknowledgement of the receipt of completed documentation.

<sup>36</sup> Law on Public Investment, Decree No. 40/2020/ND-CP, Decree No.84/2015/ND-CP and its revised Decree No. 01/2020/ND-CP of the Government, Circular No.15/2021/TT-BTC of the Ministry of Finance and Circular No.19/2022/TT-BKHDT of the Ministry of Planning and Investment.

arrangements, and shortage of personnel and technical skills in supervision, monitoring and evaluation at project owner and PMU levels are major constraints.

## **Recommendations**

- Support the cluster project model for ODA projects by attracting grant-funded TA to enable basic central coordination and training.
- Establish measures to suppress under-estimation of project costs for “strategic budgeting” purposes, including sanctions – up to and including cancellation of projects - for under-estimation using unsubstantiated “notional” values with no substance. [Strategic budgeting is when budget allocations are obtained using under-estimated project costs to get a “foot in the door” with the expectation that future cost increases will be funded]
- Improve cost estimation at both Investment Policy Decision and Investment Decision Stages, especially for land and resettlement costs. Strengthen the independent review function to verify realism of cost estimates and application of mandated estimation methods.
- Improve the quality of project concepts by introducing a theory of change model at Investment Policy Decision stage so as to define a project in terms of its inputs, outputs and outcomes. Ensure that later changes to inputs or outputs during project design and implementation do not threaten agreed outcomes.
- Improve focus on benefit realization, including, obligatory reassessment of projects with fundamental changes in outputs (volume and quality) and outcomes.
- Introduce stronger regulation of documentary requirements and specific contents to support evidence-based decision-making at Investment Policy Decision and Investment Decision stages, supported by guidelines ex-ante evaluation methods.
- Provide adequate budgets for project preparation for ex-ante evaluation (Investment Decision stage), especially for site investigations, geo-technical surveys and demand surveys, to avoid reduce the need for adjustment during implementation (detailed design and construction).
- Build institutional capabilities – organizational arrangements, human resources and data collection, management and analysis capabilities - to implement the new features of the revised Land Law as they relate to estimating land values for compensation purposes.
- Improve coordination between new province PMUs, sector departments and operating entities to ensure sustainability of projects. Establish post-completion committees (involving these main actors plus DOF and, where necessary, central ministries) for major projects, focusing on organizational and funding arrangements for operations and benefit realization. Committees to undertake consultations with users.
- Introduce robust, province-specific systems for regular self-assessment and early identification and correction of problems and for following up on the application of corrective actions.
- Set up project steering committees for major projects plus improvements in centralized monitoring at the level of technical departments and DPI.
- Improve transparency of payment process through the Treasury system so that the efficiency of the flow of funds can be better monitored.
- Improve performance monitoring and evaluation based on a results framework developed from a theory of change model (see earlier recommendation). At ex-ante evaluation stage,

make it mandatory to establish performance indicators and to specify arrangements for monitoring and systematic reporting on these indicators.

- Institutionalize terminal and impact evaluations (as required by the Public Investment Law) for Group A and a sample of Group B projects.

### 3.4 Summary of Findings from Assessments

#### **Analysis of MTIP Portfolio**

123. The analysis of the 2021-2025 MTIP portfolio of major projects has revealed that a large share of the portfolio, around three quarters both in terms of numbers of projects and total value, consists of projects carried over from the previous MTIP. Plans are already in place to carry over projects from the 2021-2025 portfolio into the 2026-2030 MTIP.
124. Significant delays resulting from adjustments made during project preparation will have contributed to delays in commencing implementation and the need to carry projects over from one MTIP to the next. The average preparation time for a project requiring adjustment during preparation was more than double that for projects experiencing no adjustment. Even so the total preparation time, even allowing for adjustment, is significantly below averages for OECD countries. This should probably not be interpreted as meaning that Viet Nam is more efficient at preparing projects: a longer, properly resourced and more flexible preparation process might lead to fewer and shorter delays during implementation.
125. Some projects experience cost adjustment during project preparation, but not that many and generally not by a very significant amount. Usually, significant cost adjustments would be expected between concept and feasibility study, but this is not the case in Viet Nam, where costs are pinned down at concept stage, leaving little room for manoeuvre except through the cumbersome adjustment process. The incentive is therefore to stay within the original cost estimate and, probably, to adjust “below the radar” through changes to outputs and their quality (although there is not data to confirm this).
126. Two thirds of the carryover projects in the MTIP are expected to exceed the mandatory 4 years maximum implementation period for Group B projects.
127. Issues with data collection, quality and completeness confirm that no single body has responsibility for overall monitoring and management of the MTIP portfolio. Information is collected on a piecemeal basis and there is not central repository of reliable and up-to-date information for portfolio management purposes.

#### **Assessment of the Sample of Pre-Implementation Documentation**

128. All documents for the Investment Policy Decision stage do a good job of setting out the nature of the problem/opportunity to be addressed and the strategic relevance of the project, relating the projects to the higher-level planning framework. On the negative side, there are consistent weaknesses across projects in ratings for analysis of alternative options to the project, preliminary analysis of risk, including climate change risk, and preliminary assessment of operational sustainability. Life-cycle costing in the sample is partial and the quality of demand analysis is patchy between documents. Overall, compared to international good practice, it is apparent that concepts are less fully developed at the point where a decision is taken to move to a feasibility study, even though this is the most important decision in the Vietnamese context.

129. It is less easy to draw a consistent set of conclusions from the documentation (feasibility studies) for the Investment Decision Stage because, compared to the previous stage, there is greater variability in quality across the sample. Implementation planning and environmental and social impact assessment are relatively well done, and some projects in the sample (but not necessarily the same ones) have reasonable demand forecasts, apply social cost-benefit analysis, undertake sensitivity analysis and examine project alternatives. These are the more positive areas; otherwise, minimum requirements were not satisfied for analysis of risk and of operational feasibility. The sample project documents are also weak when it comes to financial analysis, climate change and monitoring and evaluation arrangements.
130. The overarching conclusion is that there is a lack of standardization in the approach to preparing investment policy reports and feasibility studies. The result is unevenness in the content and quality of project documents, with significant gaps and inconsistencies between projects. While this is a small and not necessarily random sample, the findings are in line with other country-wide and province-specific assessments, which identified similar weaknesses.

### **Assessment of the Sample of ODA Projects**

131. Some ODA projects have been caught out by legal changes that have been applied retrospectively to projects originally prepared under a different legal regime. These are transitional issues, but the assessment has also revealed other issues that are more systemic.
132. The main finding from the assessment of a sample of ODA projects is that poor cost estimation during project preparation, beginning at concept stage, leads to repercussions throughout project implementation. Under-estimating land compensation and resettlement costs has been the main cause of later problems. Sometimes under-estimation has been deliberate to keep within allocations for counterpart funding (land compensation must usually be funded from domestic budgetary resources), but often it results from the regulated land compensation system in Viet Nam, which does not reflect market realities. Recent legal changes may improve the regulatory dimension of the problem, but these are not in force yet and it is too early to say what their impact will be. Mismatches between donor requirements and national practices also cause implementation delays.
133. Overall, project preparation is under-funded leading to quality issues and future implementation problems. As well as under-funding, the lack of a uniform set of project preparation guidelines leads to divergences in the methods and coverage of project preparation.
134. Systematically unreliable cost estimates, especially for land clearance, also highlight the lack of a strong independent review function, which should in a good practice system pick up such weaknesses in project preparation.

135. Evidence of downsizing of some projects, unrelated to budget constraints, suggests that the notion of a “project” is a fluid concept, rather than a mechanism to deliver a defined set of outputs required to achieve specific and measurable outcomes.
136. Weak coordination between levels of government during project preparation and adjustment has been a feature of projects with province-level components, leading to long delays. Decentralized modalities for preparing and implementing ODA projects at province-level have recently been introduced, which should simplify procedures; however, there still need to be minimum levels of central coordination at the policy and capacity building levels. The “cluster” model provides a useful mechanism for achieving coordination in this new context, but adequate resourcing, outside the budgets for specific ODA projects, will be required to implement it.
137. In general, the move to more professional provincial PMUs is benefiting the efficiency of project implementation; however, minimum levels of coordination and information sharing with sector departments are still required but are not being met. Overall, responsive monitoring for ODA projects is not being performed: timely information on implementation progress is not being pulled together and responsibility for following up on poor performance is diffuse.
138. Beyond donor requirements, ex post review of completed projects is not being performed, despite legal requirements. The lack of detailed guidance and the lack of a designated entity to oversee implementation of this requirement are partly to blame.

## 4. Recommendations

139. Detailed recommendations are given throughout the Technical Report. Here the core recommendations are summarized in Table 4.1, along with the issues giving rise to them. The main recommendations mainly concern revisions to the legal framework (broadly defined to cover all three tiers – laws, decrees and circulars), with a focus on the Public Investment Law, but not exclusively. Recommendations specifically for ODA projects are separated from general recommendations.

**Table 4.1: Main Recommendations**

| Issue                                                                                                                                                                                         | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fragmented legal basis for PIM and diffuse accountabilities.                                                                                                                                  | Streamline the primary legislation to consolidate the legal basis for the core PIM system in one place and to give the mandate for high-level coordination of PIM to a single agency.                                                                                                                                                                                                                                                   |
| Absence of up-to-date and comprehensive reporting on implementation progress at the portfolio level for management and budgeting purposes especially for provinces.                           | Reinforce the portfolio monitoring and management function performed by MPI at national level and by DPI at province level, and equip the responsible bodies with the tools, including a PIM information system, and the adequate authority (and associated sanctions) to collect accurate and timely portfolio data.                                                                                                                   |
| No standardised methodologies for analyzing projects at key stages of the PIM cycle, leading to inconsistent approaches and information gaps.                                                 | Give explicit legal authority to the MPI in the PIL to develop and promulgate (through circulars) detailed methodological guidelines for preparing technical documentation for preliminary screening (Investment Policy Decision), ex-ante evaluation (Investment Decision) and ex post review (terminal assessment and impact evaluation), and include specific guidance for assessing climate change considerations in methodologies. |
| Cumbersome adjustment processes – almost equivalent to approval of a new project - for small changes identified during project preparation and implementation, leading to excessive rigidity. | Within defined limits (say 20% cost variation), drop the requirement for adjustment of the Investment Policy Decision if a feasibility study identifies differences in key variable. Require that priority must be given to directing unallocated MTIP funding to cover such “within-limits” cost increases                                                                                                                             |
| Long lead times between Investment Policy Decision and Investment Decision, resulting in out-of-date project information, especially costs.                                                   | Introduce the idea of a “expiration date” for Investment Policy Decisions, so that after a specified period, say two years, they are no longer valid, unless they have been acted upon (i.e., feasibility study preparation has commenced), and must be renewed.                                                                                                                                                                        |
| Quality control during the project preparation does not filter out weaker project concepts and project designs.                                                                               | Make explicit allowance in the legal framework at the level of the PIL for the rejection of a project (and exclusion from the MTIP) by appraisal committee (or equivalent) based on negative pre-feasibility/feasibility study findings at either Investment Policy Decision stage or Investment Decision stages and specify that an Investment Policy Decision can be reversed at Investment Decision stage. Capacity                  |

| Issue                                                                                                                                                                                                            | Recommendation                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                  | building should also be provided to these agencies to perform these functions.                                                                                                                                                                                                                                                                                                      |
| Fragmented review of project proposals, involving actors who are not necessarily objective and accountable and with no definitive recommendation on project viability.                                           | Strengthen review of documentation at preliminary screening (Investment Policy Decision) and ex-ante evaluation (Investment Decision) stages so that it is coordinated by a single body - MPI nationally and DPIs at province-level – covers all dimensions of project feasibility and results in a single formal recommendation (not a collection of opinions) to decision makers. |
| Public Investment Law does not have explicit provision for medium-term (3-year) budget planning, leading to resistance to applying the provisions of the State Budget Law in relation to investment expenditure. | Harmonize the Public Investment Law and the State Budget Law to ensure efficient annual budgeting of both capital and recurrent expenditure within a rolling medium-term framework, including a clear definition of the capital expenditure baseline and a requirement to make projections of it (supported by the development of necessary information systems).                   |
| Potential for under-funding of carryover projects where construction has started and automatic carryover of approved concepts without verification of their continued relevance.                                 | Make the rules for carryover from one MTIP to the next more stringent so that only projects that are genuinely ongoing are automatically carried over and at the same time drop the 20% carryover rule so as to ensure full funding of genuine ongoing projects.                                                                                                                    |
| Cumbersome adjustment procedures during implementation leading to rigidities and no system for identifying genuine problem projects.                                                                             | Allow for more flexibility during implementation by defining thresholds below which adjustments can be made without recourse to complex adjustment processes and beyond which a project must be submitted for enhanced monitoring and/or formal adjustment.                                                                                                                         |
| No formal process for identifying and resolving projects where implementation is so severely off track as to threaten project success.                                                                           | Establish in law a mechanism for defining and resolving projects that are failing, including procedures for rescoping or, as a last resort, permanently stopping such projects.                                                                                                                                                                                                     |
| Weak capacities for estimating market-based land compensation and lack of conformity with international practice.                                                                                                | Ensure adequate resourcing of human and financial cost estimation of land compensation (LFDCs) and harmonize the national compensation methodology with international practice.                                                                                                                                                                                                     |
| <b>Recommendations for ODA Projects</b>                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                     |
| No mechanism for assuring adequate central coordination of multi-province projects.                                                                                                                              | Explore a new model for an investment program (e.g., regional program) that is managed by the central government and includes clusters of several projects at the local government level with the same objective and activities, aligns ODA lending to the investment program objectives and avoids negotiations over multiple projects with donors.                                |

| Issue                                                                                                                                                  | Recommendation                                                                                                                                                                                                                                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Delays in approving Project Proposals (additional stage for ODA projects)                                                                              | Introduce and enforce streamlined procedures, including assessment criteria, and timeline for review of Project Proposals.                                                                                                                    |
| Concurrent project preparation and fiscal management activities leading to delays in quality controlling projects.                                     | The envelop for ODA and concessional lending has to be determined upstream when preparing the medium-term debt plan and medium-term investment plan when estimating the fiscal space for the MTIP before proposing for projects (Art. 47, 48) |
| External financing can only finance capital investment projects, which hinder the investment in social sectors and use ODA for recurrent expenditures. | Allow the use of ODA and concessional lending for soft infrastructures such as digital transformation projects and one-off recurrent expenditure as part of the capital investment projects.                                                  |
| Cumbersome hierarchy of decision making for ODA projects that differs from that for projects funded purely from the national budget.                   | Delegate the approval authority of investment policy and investment decision of group A projects using ODA and concessional loan to the People's Committee (harmonize with the government-funded projects).                                   |
| Gap between government regulations and development partners' policy in environmental and social safeguard and procurement standards                    | Amend the international treaty law to allow international good practice to be applied for ODA projects when there is gap between national and donors' policy before the project signing.                                                      |

## Annex 1: Legal Framework for Public Investment Management in Viet Nam

| Projects funded by state budget funding |                                |                                                                                                                                                                                                                                       |                  | Projects funded by ODA sources         |                                  |                                                                                                                                                                                  |                                                                                  | Note                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------------------------------|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Step                                    | Source of relevant legislation | Content                                                                                                                                                                                                                               | Agency in charge | Step                                   | Source of relevant legislation   | Content                                                                                                                                                                          | Agency in charge                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| STRATEGIC PLANNING                      |                                |                                                                                                                                                                                                                                       |                  |                                        |                                  |                                                                                                                                                                                  |                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Planning process                        |                                |                                                                                                                                                                                                                                       |                  | I (a)                                  | Drafting, selection and approval |                                                                                                                                                                                  |                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Master planning structure and process   | Planning Law 2017, Art. 5      | Art 5 defines the master planning structure in Viet Nam consisting of national level, regional, provincial, special economic and administration unit, urban and rural masterplans. Art. 6.3 stipulates that masterplan at lower level |                  | 1. Draft the program/pr oject proposal | Decree 114. Article 13.2.a       | Ministries, central and local regulatory authorities prepare the proposal for the program/proj ect funded by foreign ODA and concessional loan for submission to the Ministry of | Ministries, central or local regulatory authorities who own the program/pr oject | Provincial MTIP must align with regional and provincial masterplans. Currently, most of national and regional masterplans are yet completed and promulgated. In 2021- 2025, even most of provincial masterplans were being developed and only were approved recently. MTIP, therefore, is subject to be substantially adjusted to fit into masterplans. ODA project follows Annex II, Decree 114, Template for Project Proposal |

|  |                |                                                                                                                                                                                     |  |                                        |                                                                   |                                                                                                                                                                     |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----------------------------------------|-------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |                | should comply with higher level masterplan, meaning that provincial master plan must align with regional masterplan, which in its turn must align with national level masterplan.   |  |                                        |                                                                   | Planning and Investment, the Ministry of Finance and concerned agencies in accordance with law                                                                      |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|  | PIL. Art. 12.1 | One of PIM principles requires that PIM must be complied with socio-economic development strategy and five-year SEDP, as well as relevant masterplans as stipulated in Planning Law |  | 2. Select the program/project proposal | Decree 114. Article 13.2.b,c Law on Public Debt Management (LPDM) | MOF takes the lead for determining the financial issue and MPI consults related agencies for the necessity and impact of the program/project, then submit to the PM | MPI and MOF | ODA project: MOF takes the lead for determining the grant elements, evaluating the impact of new loans on the public debt safety thresholds, determining applicable domestic financial mechanism, and reporting to the PM in accordance with the LPDM and concurrently send to MPI. MPI consults concerned agencies on the program/project proposal, evaluates the necessity of the programs/projects; makes the preliminary assessment of the feasibility, socio-economic effectiveness, environmental impacts and the impacts of the programs/projects on the MTIP; |

|                                                                                             |                                               |                                                                                                                                                                                                                                                                                                                                                                                                 |  |                                         |                                                                                              |                                                            |     |                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------------------------------------|----------------------------------------------------------------------------------------------|------------------------------------------------------------|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                             | Law 03/2022/QH 15                             | This Law aims to amend related laws in an effort to simplify procedures for ODA projects. It is referred to when applicable in other steps of PIM cycle in this review.                                                                                                                                                                                                                         |  | 3. Approve the program/project proposal | Decree 114. Article 13.2.d                                                                   | The PM considers and approves the program/project proposal | PM  | Law 03/2022: Law on Revising and Amending some articles in PIL, PPP Law, Investment Law, Housing Law, Procurement Law, Electricity Law, Enterprise Law, Law on Excise Tax, and Law on Civilian Law Enforcement (2022).                                                                                                                       |
|                                                                                             |                                               |                                                                                                                                                                                                                                                                                                                                                                                                 |  | <b>I (b)</b>                            | <b>Send an official notice of the approved program/project proposal to the foreign donor</b> |                                                            | MPI | MPI officially notifies the foreign donor about PM's decision on approval of the program/project proposal                                                                                                                                                                                                                                    |
| <b>Preparation of Investment Policy Report (IPR) or Pre-feasibility Study (PFS)</b>         |                                               |                                                                                                                                                                                                                                                                                                                                                                                                 |  |                                         |                                                                                              |                                                            |     |                                                                                                                                                                                                                                                                                                                                              |
| Delegation of preparation of IPR or PFS report (Law No. 03/2022/QH15 for Steps 1-4 for ODA) | Planning Law. Art. 22-27.2o<br>PIL. Art. 18.1 | Mast replanning Law: Contents of national, regional and provincial masterplans include, among others, lists of projects ranking in priority order.<br>PIL: Condition for making Investment Policy Decision requires that Investment Policy Decision must be complied with socio-economic development strategy and five-year SEDP, as well as relevant masterplans as stipulated in Planning Law |  |                                         |                                                                                              |                                                            |     | Combination of those provisions is interpreted by many government agencies as such: a project subject to be decided in the investment policy decision stage should be named in the project list in the provincial master plan. In other word, the project is even predetermined in the master plan, where its information is extremely poor. |

|  |                                |                                                                                                                                                                                     |               |                                                        |                                                                |                                                                                                                                                                     |                                                                                 |                                                                                                                                                                                                                                               |
|--|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|--------------------------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | PIL. Article 19.1              | - A relevant agency is assigned to prepare IPR for NTP and PFS for nationally important project                                                                                     |               |                                                        |                                                                |                                                                                                                                                                     |                                                                                 |                                                                                                                                                                                                                                               |
|  | PIL. Article 23.1, 26.1        | - Head of ministries or PPC is responsible for preparing PFS of Group A projects under the authority of the GoV and IPR of Group B and C projects under the authority of ministries | Line ministry | Step 1: Delegation of preparation of IPR or PFS report | Law 03 (2022), Art. 17.4-5                                     | PM is responsible for approving IPRs of ODA projects in Group A only. Head of ministry and PPCc decided IPRs of ODA projects in Group B and C under their authority | PM                                                                              | This is amendment from PIL 2019, in which IPRs of ODA projects in both Group A and B must be approved by the PM. Also, the PM's decision making authority over technical assistance for project preparation in PIL is also removed.           |
|  | PIL. Article 24.1a, Article 27 | Provincial line departments or DPC is responsible for preparing PFS of Group A projects or IPR of Group B and C projects under                                                      | PPC Chair     |                                                        | PIL, Art. 25, Decree 114. Article 14.4, Decree 20, Article 1.1 | Group-A projects and projects under authority approval of the PM regulated by Decree 20, Article 1.1:                                                               | Ministries, central or local regulatory authorities who own the program/project | Appraisal contents of the investment policy for programs/projects funded by ODA and concessional loans include: (1)Necessity of investment, (2)Regulatory conformance of the dossier submitted for appraisal, (3)Alignment with objectives of |

|                   |                                                |                                                                                                                                                                                       |    |                           |                                                    |                                                                                                                                                                                                                 |                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|---------------------------|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                   |                                                | the authority of PPC                                                                                                                                                                  |    |                           |                                                    | The managing agency prepares and sends MPI an IPR. Group-B and Group-C projects: The directly affiliated unit authorized by Head of Ministries or PPC Chair prepares an investment policy recommendation report |                                                                       | the relevant strategies, plans and master plans in accordance with law on planning, (4) Alignment with project classification criteria in accordance with the PIL, (5) Basic details of the project, such as objectives, scale, form of investment, scope, location, area of land to be used, duration, time lines, plan for selection of main technologies, environmental protection solution, funding sources and availability; cost recovery and debt repayment possibility for loans; and fund allocation plan, (6) Socio-economic effectiveness, environmental protection and sustainable development. |
| PFS/IPR appraisal | PIL. Article 19.2 Decree 29/2021. Article 4-32 | - A National Appraisal Committee (NAC) is established by the PM and headed by MPI to appraise PFS of nationally important projects and IPR of NTPs<br>- Functions and mandates of the | PM | Step 2: PFS/IPR appraisal | Decree 114. Article 14.4; Decree 20, Article 1.1&5 | Group-A projects and projects under authority approval of the PM regulated by Decree 20, Article 1.1: MPI presides over evaluating the                                                                          | MPI/Appraisal Council established by Heads of Ministries or PPC Chair | The lead appraising agency for the PFS report and report on investment policy proposal for programs and projects shall consult agencies assigned to appraise funding sources and availability in accordance with Article 33 of the PIL in the process of appraising PFS/IPR.                                                                                                                                                                                                                                                                                                                                |

|  |                                                      |                                                                                                                                                                                                                                                       |    |  |  |                                                                                                                                                                                                                                                                                                                                                        |  |  |
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|  |                                                      | NAC are defined in Decree 29/2021 specifying procedures and process for appraising nationally important projects and investment M&E. The NAC can hire independent consultants for reviewing PFS of, and adjustment of, nationally important projects. |    |  |  | investment policy proposal report, funding sources and availability, and submitting it to the PM Group-B and Group-C projects: The Minister or the Head of the managing agency establishes a Council, or authorizes another competent entity to appraise that investment policy recommendation report, funding sources and availability of capital for |  |  |
|  | PIL. Article 23.2<br>Decree 29/2021.<br>Article 4-32 | - An Interagency Appraisal Committee or a host agency is assigned by the PM to appraise PFS of Group A projects under the GOV's authority<br>- MPI is in charge of appraising                                                                         | PM |  |  |                                                                                                                                                                                                                                                                                                                                                        |  |  |

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|  |  | project<br>affordability |  |  |  | investment<br>according to<br>appraisal<br>comments<br>and<br>consultative<br>opinions of<br>the MPI, MOF<br>and entities<br>involved;<br>PPC Chair<br>establishes a<br>Council, or<br>authorizes a<br>relevant unit<br>to appraise<br>the<br>investment<br>policy<br>recommenda<br>tion report,<br>funding<br>sources and<br>availability of<br>capital for<br>investment<br>according to<br>appraisal<br>comments<br>and<br>consultative<br>opinions of<br>MPI, MOF and |  |  |
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|  |                    |                                                                                                                                                                                                            |           |  |  | entities<br>involved |  |  |
|  | PIL. Article 24.1b | - An Appraisal Committee is established by PPC Chair and headed by Chair or a Vice Chair of PPC, seconded by DPI to appraise PFS of Group A projects under PPC's authority                                 | PPC Chair |  |  |                      |  |  |
|  | PIL. Article 27.1  | - An Appraisal Committee or a host agency is assigned by the PPC Chair to appraise IPRs of Group B and C projects under the province's authority<br>- DPI is in charge of appraising project affordability | PPC Chair |  |  |                      |  |  |

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| Finalization of PFS/IPR | PIL. Article 19.5 | A resolution on approval of PFS of nationally important projects and IPR of NTPs is made.                                                                         | NA   |  |  |  |  | Investment objectives, scope and scale, core technologies used, location, timing, implementation schedule, and supporting solutions/mechanisms/policies are clearly defined in the NA's resolution or approval decisions over PFS/IPR. |
|                         | PIL. Article 23.5 | - An appraisal report is submitted by the appraisal committee or host agency and a decision for approval of PFS/IPR of Group A under the GoV's authority is made. | PM   |  |  |  |  |                                                                                                                                                                                                                                        |
|                         | PIL. Article 24.2 | An approval decision is drafted by PPC and passed by PPCc over PFS of Group A projects under PPCc's authority                                                     | PPCc |  |  |  |  | PPCc may authorize PPC to handle the approval authority over IPR of Group B and C projects                                                                                                                                             |

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| Decision over PFS/IPR | PIL. Article 26.2 | - Head of ministries or PPC makes approval decisions over IPR of Group B and C projects under the GoV's authority | Head of ministries or PPC | Step 3: Decision over PFS/IPR | Decree 114. Art. 14.4; Decree 20, Art. 1.1&5 | Group-A projects and projects under authority approval of the Prime Minister regulated by Decree 20, Article 1.1: The PM considers granting the investment policy decision; Group-B and Group-C projects: Head of Ministry or PPCc Chair issue the investment policy decision | PM/Minister or the Head of ministries/ PPCc |  |
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|  | PIL. Article 27.2 | An approval decision is drafted by PPC and passed by PPCc over IPR of Group B and C projects under province's authority | PPCc | Step 4: Officially notifying the foreign donor of the investment policy decision of the program or project and the sponsoring request | Decree 114. Article 14.6                   | MPI officially notifies the foreign donor of the decision of approval of the IPR for the program/project, and the funding request                                                                  | MPI              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|  |                   |                                                                                                                         |      | Step 5: Formulation, appraisal and approval of the contractor selection plan                                                          | Law 03 (2022), Art. 5, Decree 20, Art. 1.7 | After approval for the IPR; and before conclusion of the international treaty or agreement on ODA or soft loan, where necessary to shorten the time of bidding, the competent agency may undertake | Competent agency | Bases for formulating, appraising and approving the contractor selection plan for prior activities, including:<br>(1) Decision on IPR approval ;<br>(2) Donor's uncontentious opinions as to formulation, appraisal and approval of the contractor selection plan for prior activities.<br>While this step should be categorized under the Implementation stage (Category D), the shortcut applied to ODA projects has brought it even prior to approval of FS report. |

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|                                                  |  |  |  |  |                                             | implementati<br>on of the<br>procedures<br>for<br>formulation,<br>appraisal and<br>approval of<br>the<br>contractor<br>selection<br>plan, bidding<br>invitation<br>profile,<br>identification<br>of short list<br>that will serve<br>as a basis for<br>implementati<br>on of<br>contractor<br>pre-selection<br>activities |  |  |
| <b>EX-ANTE EVALUATION AND INDEPENDENT REVIEW</b> |  |  |  |  |                                             |                                                                                                                                                                                                                                                                                                                           |  |  |
| <b>Preparation of Feasibility Study (FS)</b>     |  |  |  |  | Decree<br>114. Art.<br>21.1; PIL,<br>Art.41 | Procedures<br>for drafting,<br>appraising<br>and making<br>decision on<br>investment in<br>the<br>programs/pro                                                                                                                                                                                                            |  |  |

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|                                         |                                                                                                                                                |                                                                                                                                                                                                                                                                                      |                                                                                                                                     |  |  | jects funded by ODA and concessional loans comply with the regulations laid down in PIL, Art. 41. |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Budget planning for project preparation | PIL. Article 40.5 Decree 10/2021 on Management of Construction Cost, Article 6.1 and 10.2 Circular 12/2021 on Technical norms for construction | - Entity in charge of project preparation develops budget plan for this task and submits to head of ministry and PPC<br>- Head of ministry/PPC establishes an appraisal committee or appoints planning unit to review the budget plan<br>- Head of ministry/PPC approves budget plan | - Investment owner of project with construction component;<br>- Head of ministry and PPC for project without construction component |  |  |                                                                                                   |  | Decree 10/2021. Article 6.1: Estimation of total construction cost by using one of three methods: (1) Based on construction workload as specified in basic design; (2) Based on unit cost of construction; and (3) Based on historical records of similar projects.<br>Article 10.1: Project preparation cost includes cost of surveying, formulating and appraising PFS/IPR, FS, ETR and other activities relating to project preparation.<br>Circular 12/2021/TT-BXD provides technical norms for construction work. |

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| FS preparation | PIL. Article 37, 40.1<br>Decree 29/2021.<br>Article 35-36, 39-40 | For NTP and national important projects<br>- FS is developed by investment owner and reported to supervisor ministry and/or PM<br>- A NAC is established by the PM and headed by MPI to evaluate FS and review FS adjustment.<br>- Investment owner revises FS and resends to the Committee for final review<br>- PM makes investment decision over the project. | PM | Step 6: FS preparation | PIL. Art 44; Decree 114. Art. 21.2; | After receiving the investment policy decision, the project owner cooperates with the sponsor to prepare the feasibility study report for submission to the competent authority to seek its decision on investment | Project owner | The feasibility study reports are prepared in accordance with the PIL, Art. 44 and related regulations, taking into account the contents of the sample provided by foreign donors, while ensuring the consistency with the investment policy decision and harmonizing the procedures between Viet Nam and foreign donors. |
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|  | PIL. Article 40.2a, b | <ul style="list-style-type: none"> <li>- FS is developed by investment owner and reported to agency in charge of making investment decisions (PM/Head of Ministry or PPC)</li> <li>- Head of ministry or PPC establishes an Appraisal Committee or appoints planning agency to evaluate FS.</li> <li>- Investment owner revises FS and resends to the Committee for final review</li> <li>- Agency in charge of making investment decision over the project issues the decision</li> </ul> | Appraisal committee or MPI/DPI |  |  |  |  | For other projects <b>without</b> construction component (both under the GoV's or province's authority). As defined in Construction Law of 2020 (Article 1.10), construction work means a product designed and created by labor, building materials and equipment installed therein, affixed to land, which possibly includes underground and surface components, underwater and water surface components |
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|  | Land Law 2024. Chapter VIII, and XI | <ul style="list-style-type: none"> <li>- Estimation of total project cost follows one of three estimating methods as guided in Decree 10, in which land acquisition and resettlement costing follows requirements of Land Law.</li> <li>- Chapter VIII comprises 12 articles (Art. 91-112) on Compensation, Support, and Resettlement regulations when land is acquired by the state. Specifically, Art. 91.7 stipulates that cost for compensation and supports is accounted for the resettlement cost in investment projects. Art. 93 specified the case if resettlement is treated as an independent project as stipulated in PIL, land acquisition, compensation, support and resettlement must follow this Land Law.</li> <li>- Chapter XI comprises 10 articles (Art. 153-162) on land finance and land price. Art. 158 on "Land pricing principles, bases and methods" requires compensation on market values. Different compensation and financial assistance mechanisms for different eligibility of affected households, which requires detailed assessment, are stipulated.</li> </ul> |  | <p>Land Law 2024 introduces significant changes to land valuation and pricing mechanisms in Viet Nam, departing from the previous framework. Notably, it abolishes the periodic issuance of land prices, which had struggled to keep pace with the dynamic market value of land over time. Instead, the new legislation establishes an annual land price list to better align land prices with current market conditions. PPCs will be responsible for proposing adjustments to this list on an annual basis, thereby ensuring that valuations accurately reflect evolving market trends. Land Law 2024 also provides comprehensive guidelines for applying the remaining four methods including direct comparison and income-based approaches. By specifying the circumstances under which each method is to be used, Land law 2024 aims to enhance transparency and consistency in land valuation practices nationwide. These revisions signify a</p> |
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|              |                                          |                                                                                                                                                                                                          |                                                                  |  |  |  |  | concerted effort to modernize land valuation processes, with the ultimate goal of ensuring that prices more accurately reflect market dynamics while fostering fairness and efficiency in land transactions. |
| FS appraisal | Construction Law of 2020. Article 56, 57 | For construction involved projects (both under the GoV's or province's authority), preparation of FS or Economic and Technical Report (ETR) is required.<br><b>Appraisal works are conducted by both</b> | Appraisal made by agency in charge of making investment decision |  |  |  |  |                                                                                                                                                                                                              |

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|  |  | investment decision maker and specialized construction work managing agency.                                                                                                                                                                                                                             |  |  |  |  |  |  |
|  |  | <b>FS/ETR appraisal of investment decision maker</b><br>includes the following dimensions:<br>- For FS appraisal: (a) relevance as stated in IPR; (b) alignment of basic design with designing tasks and existing construction standards and specifications; (c) implementation arrangements, investment |  |  |  |  |  |  |

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|  |  | <p>owner's experience and capacity, land acquisition plan, and project implementation modality; (d) project efficiency including total cost, funding sources, on-schedule fund mobilization, risks analysis, financial and socio-economic efficiency analysis, and technological relevance.</p> <p>- For ETR appraisal: (a) relevance as stated in IPR; (b) safe assurance scheme; (c) total project cost; (d) implementation arrangements, land acquisition plan, and</p> |  |  |  |  |  |  |  |
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|  |  | project implementation modality; (dd) technological relevance; and other as required by investment decision maker. |  |  |  |  |  |  |
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|  | Construction Law of 2020. Decree 15 (for amendment of Article 58.2 of Construction Law 2014. | <b>Appraisal works are conducted by specialized construction work managing agency</b> includes:<br>(a) Conformity of the project to legislation on formulation of investment project with civil work component, basic design, conditions and operational competence of constructing entities and individuals.<br>(b) The conformity of the basic design with the construction detailed planning and technical planning of other | Appraisal made by specialized construction work managing agency | Step 7: FS appraisal | PIL. Article 44 | MPI conducts the evaluation of the feasibility study report of the project, and petitions the PM to consider granting the decision for project under authority approval by the PM. Head of the governing body shall be responsible for conducting the evaluation and granting decisions on investment in these programs and projects under his/her decision-making jurisdiction. | MPI/Head of the governing body | Specialized construction agencies means specialized agencies in charge of construction management under the specialized construction work-managing ministries, specialized construction work-managing departments under PPC; construction management sections of DPC, PMUs of industrial parks, export processing zones, high-tech parks, and economic zones. According to Decree 15/2021 on Management of Construction Project, Article 13,<br>- Specialize agency under Ministry of Construction and other ministries conduct construction appraisal for project decided by the PM, Group A and B projects decided by head of ministries, inter-provincial projects, and specialized Group C projects.<br>- Specialized agency under PPC appraises projects in the provincial boundary except those in the above provision and those subject to ETR only.<br>- Specialized agency in Hanoi |
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|  |  | <p>specialized sectors; the approved total ground or with the selected plan on the line of works, for works constructed in lines;</p> <p>(c) Conformity of the project to approved IPR, implementation scheme, and other conditions as stipulated in relevant legislations;</p> <p>(d) The connectivity with technical infrastructure of the region; serving capacity of technical infrastructure, and decentralization arrangement for construction management in urban</p> |  |  |  |  |  | and HCMC appraises projects decided by PPC Chairs. |
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|  |  | <p>development projects;</p> <p>(dd) The conformity of basic designing solutions to ensuring construction safety, environmental protection, fire and explosion prevention and fighting;</p> <p>(e) The compliance with technical standards and application of relevant technical standards as stipulated in regulations on technical standards and specifications.</p> |  |  |  |  |  |  |
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| Project approval | PIL. Art. 35 | Decentralization of project approval (or project decision making) authority is stipulated as follows:- PM for NTPs, nationally important projects, PI programs and ODA projects in the fields of national defense, social security and religions.- Head of ministry for Group A, B, C projects within his/her authority.- PPC Chair for provincial PI programs, provincial Group A, B and C projects | PM. Heads of ministries and PPCs | Step 8: Project FS approval | Decree 114, Article 20 | The PM shall be accorded authority to issue the decision on investment in the following programs and projects funded by ODA and concessional loans:a) NTPs and nationally important projects for which the investment policy decision is made by the NA;b) Public investment programs that have already obtained investment policy decisions from the GoV;c) Public | Prime Minister/ Head of the managing agency |  |
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|  |  |  |  |  |  | investment programs and projects funded by ODA and concessional loans of foreign donors in the national defense, security and religion fields and other programs/projects subject to the GoV's regulations. The head of the managing agency shall make investment decision for programs and projects funded by ODA or concessional loans that are not prescribed in clause 1 of |  |  |
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|                                       |                |                                                     |                    |                                                                               |                            | this Article and take responsibility for the investment efficiency of programs and projects.                                                                                              |                |                                                        |
| Annual funding appropriation decision | PIL. Art. 53.2 | Approved projects enters APIP to be funded annually | NA, GoV, PPCc, PPC | Step 9: Sign international treaties, agreements on ODA and concessional loans | Decree 114. Article 28.2.a | Basis for proposal to sign specific international treaties on ODA and concessional loans: The approved feasibility study reports; the decisions on investment in programs/projects; Prime | Prime Minister | After NA's and PPCc's resolution on annual budget plan |

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|                    |                |                                                                                                                                                                                    |    |                               |                                                                             | Minister's decisions on approval of on-lending                                                                                                                                                           |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Independent Review | PIL. Art. 19.2 | 19.2. PM is authorized to establish the National Ex-ante Evaluation Committee headed by MPI to evaluate Investment Policy Proposal of NTP and PFS of nationally important projects | PM | Step 10: On-lending mechanism | Decree 97/2018, Art. 28 and Decree 97/2021 amended Decree 97/2018, Art. 1.3 | After the international loan agreement is signed, based on the PM's approval of the on-lending of ODA loans and concessional loans, within 30 working days, MOF signs a on-lending contract with the PPC | MOF | <p>The proportion of on-lent ODA financing for PPCs shall be determined as follows: (i) The local jurisdiction having the ratio of funding from the Central government budget to total local government budget expenditure equaling 70% or more shall be entitled to 10% of the on-lent capital derived from the ODA loan</p> <p>The local jurisdiction having the ratio of funding from the Central government budget to total local government budget expenditure ranging from 50% to below 70% shall be entitled to 30% of the on-lent capital derived from the ODA loan; (ii) The local jurisdiction having the ratio of funding from the Central government budget to total local government budget expenditure below 50% shall be entitled to 50% of the on-lent capital derived from the ODA loan; (iii) The local jurisdiction having revenues</p> |

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|  |                 |                                                                                                                                                                                                          |                     |  |  |  |  | regulated into central budget (excluding Hanoi city and Ho Chi Minh City) shall be entitled to 70% of the on-lent capital derived from the ODA loan; and (iv) Hanoi city and HCMC shall be entitled to 100% of the on-lent capital derived from the ODA loan                 |
|  | PIL. Art. 23.1c | PM is authorized to establish inter-sectoral Ex-ante Evaluation Committee or PM can assign a competent agency to evaluate Investment Policy Proposal of Group A projects. The Committee/competent agency | PM/delegated agency |  |  |  |  | The Committee or competent agency is membered by public agencies. Only in the case of inter-sectoral Committee can be membered by external experts. Hence, the Ex-ante Evaluation mission is basically an internal review. Engagement of independent review is very limited. |

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|  |                 | can invite independent experts or experienced specialists to be members of the Ex-ante Evaluation mission.                                                                                                           |                    |  |  |  |  |  |
|  | PIL. Art. 26.1b | Head of central ministry is authorized to establish an Ex-ante Evaluation Committee or assigns competent unit to evaluate Investment Policy Proposal of Group B and C project under authority of central management. | Head of ministries |  |  |  |  |  |
|  | PIL. Art. 24.1b | PPC Chair is authorized to establish an Ex-ante Evaluation Committee to evaluate Investment Policy Proposal                                                                                                          | PPC Chair          |  |  |  |  |  |

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|                                                       |                 | of Group A project under PPC's authority. The Committee is headed by Chair/Vice Chair of PPC, seconded by DPI and membered by relevant line departments.                               |           |  |  |  |  |  |
|                                                       | PIL. Art. 27.1b | PPC Chair is authorized to establish an Ex-ante Evaluation Committee or assign a competent unit to evaluate Investment Policy Proposal of Group B and C project under PPC's authority. | PPC Chair |  |  |  |  |  |
| <b>PROJECT SELECTION AND BUDGETING</b>                |                 |                                                                                                                                                                                        |           |  |  |  |  |  |
| <b>Budget allocation framework for capital budget</b> |                 |                                                                                                                                                                                        |           |  |  |  |  |  |

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| Budget allocation for regional projects |  |  |  |  | SBL, Art. 5.1c, 7.4b, 7.5 | 5.1c. ODA grant is a part of national and subnational budgets<br>7.4b. External borrowing including ODA loans and government bond issuing in international capital market, excluding on-lending, is source of deficit financing for central budget deficit<br>7.5. Only provincial budget can have deficit, which is financed by issuance of local government |  | ODA is considered an integral part of state budget, so ODA projects must follow the same procedure as other public investment projects. In addition, they should comply with the international treaties that have been signed by GoV. |
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|  |                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |  |  | bonds, on lending from central external borrowings, and eligible domestic borrowings |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |
|  | SBL, Art. 6                | State budget system: (1) State budget consists of central government budget and local government budgets; (2) A local government budget consists of budgets of local authorities at various levels.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |  |  |  |                                                                                      | State budget system in Viet Nam does not defines region (or inter-province) as a budgetary level. SBL also forbids using budget of one budgetary level to finance spending item in the other budgetary level or budget of a province to finance that of another province. In this case, funding for regional projects, which are extremely important to address regional externalities such as climate change or economic linkage, must be relied on central capital budget or disaggregated into provincial component projects. Given limited central budget and variety in provincial prosperity, it is almost impossible for two adjacent |  |
|  | SBL, Art. 9.4 and Art. 9.9 | 4. Each local government budget shall ensure the execution of their own obligatory expenditures; the promulgation and implementation of new policies that increase budget revenue must ensure the financial sources and suit the ability to balance budget at each level; the decision on investment in programs/projects funded by state budget must not exceed the scope of budget at that level.<br>9. Do not use state budget at one level to pay for performance of tasks of another, and do not use the budget of one local government to pay for performance of tasks of another, except for the following cases: (a) The inferior budget has to support superior units in the same area to mobilize of emergency forces upon in the event of a disaster, epidemic, and other emergency situations in order to maintain socio-economic stability, security, and social order in the area; (b) While performing their tasks, superior units shall cooperate with inferior units in performance of some tasks of the inferior units; and (c) Local government budget reserve shall be used to support other areas in disaster recovery. |  |  |  |                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |

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|                                           |                     |                                                                                          |                                  |  |                          |                                                                                                                                                                                                                                                                         |     | provinces to promote their inter-provincial projects.                                                                                                                                                                                        |
| <b>Medium Term Investment Plan (MTIP)</b> |                     |                                                                                          |                                  |  |                          |                                                                                                                                                                                                                                                                         |     |                                                                                                                                                                                                                                              |
| MTIP formulation                          | PIL, Article 55.4.d | Line ministry is responsible for formulating its MTIP, then submitting it to MPI and MOF | Planning unit of a line ministry |  | Decree 114, Article 41.1 | Formulation, appraisal, approval and assignment of the medium-term public investment plans funded by ODA and concessional loans shall be subject to the regulations laid down in Chapter III of the Law on Public Investment and the Government's regulations detailing | MPI | After the PM's decision for capital budget allocation norms, the PM's directive on MTIP formulation, and MPI's guidelines are issued. The guideline should be issued prior to 15 August of the fourth year of the current medium-term cycle. |

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|                |                     |                                                                                                                                                                                                   |                                   |  |  | some articles of the Law on Public Investment. |  |                                                                         |
|                | PIL, Article 55.5.d | Provincial People's Committee (PPC) is responsible for formulating provincial MTIP (P-MTIP), then submitting it to Provincial People's Council (PPCc) for review before sending it to MPI and MOF | DPI is in charge of consolidation |  |  |                                                |  |                                                                         |
| MTIP Appraisal | PIL, Article 55.8   | Line ministry's fund allocation plan in its MTIP is appraised                                                                                                                                     | MPI                               |  |  |                                                |  | From 1 February to 30 April of the fifth year of the current MTIP cycle |
|                | PIL, Article 55.8   | Provincial's and district's fund allocation plans in their MTIPs are appraised                                                                                                                    | MPI for P-MTIP and DPI for D-MTIP |  |  |                                                |  |                                                                         |

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| Comments to MTIPs                  | PIL, Article 55.9   | Line ministry revises its MTIP in alignment with MPI's and MOF's comments, then re-submits MPI and MOF                             | Line ministry |  |  |  |  | Prior to 15 June of the fifth year of the current MTIP cycle                                                                                                                                                                                                       |
|                                    | PIL, Article 55.10  | DPI revises P-MTIP, submits them to PPC, then to PPCc for review. After that, P-MTIP is sent to MPI, MOF                           | PPCc          |  |  |  |  |                                                                                                                                                                                                                                                                    |
| Consolidation of the national MTIP | PIL, Article 55.11  | The National MTIP (N-MTIP) is consolidated, and submitted to the GoV, then to the National Assembly (NA)                           | MPI           |  |  |  |  | Prior to 31 July of the fifth year of the current MTIP cycle                                                                                                                                                                                                       |
| MTIP approval                      | PIL, Article 60.1-2 | The current NA provides comments to the N-MTIP and approves the first year Annual Public Investment Plan (APIP) of the next cycle. | NA            |  |  |  |  | Approval of the first year N-APIP is made at the last NA meeting session of the current NA<br>Approval of the N-MTIP is made in the first NA meeting session of the new NA<br>Approval of the first year local MTIP is made by the current terms of PCc prior to 5 |

|                 |                     |                                                                                                                                                                                    |      |  |  |  |  |                                                                                                             |
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|                 |                     | New terms of NA approves the next N-MTIP                                                                                                                                           |      |  |  |  |  | December of the fifth year of the current MTIP cycle. The entire local MTIP is approved by new terms of PCc |
|                 | PIL, Article 62.1-2 | The current PPCc provides comments to the local MTIP of the same government level and approves the first year APIP of the next cycleNew terms of PPCc approves the next local MTIP | PPCc |  |  |  |  |                                                                                                             |
| MTIP assignment | PIL, Article 60.3   | Ministry's MTIP is assigned including (i) total 5 year envelop; (ii) funding composition; (iii) detailed project list and funding amount of each project in the list               | PM   |  |  |  |  | Within 30 days from the date of issuance of PCc's resolution on MTIP                                        |
|                 | PIL, Article 62.5   | P-MTIP is assigned including (i) total 5 year envelop;                                                                                                                             | PPC  |  |  |  |  |                                                                                                             |

|                                             |                     |                                                                                                                                                                                                                                                                                                               |                               |  |                         |                                                                                                                                                                                                                                                              |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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|                                             |                     | (ii) funding composition; (iii) detailed project list and funding amount of each project in the list                                                                                                                                                                                                          |                               |  |                         |                                                                                                                                                                                                                                                              |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Annual Public Investment Plan (APIP)</b> |                     |                                                                                                                                                                                                                                                                                                               |                               |  |                         |                                                                                                                                                                                                                                                              |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| APIP formulation                            | PIL. Article 56.6-9 | APIP is formulated by line ministries and sent to MPI/MOF prior to 31 July. Capital ceiling for the next year APIP is informed by MPI prior to 15 August, APIP is revised and sent by line ministries to MPI/MOF prior to 25 August, the N-APIP is consolidated by MPI and sent to the GoV prior to 31 August | Line ministries , MPI and MOF |  | Decree 114, Article 43. | The annual implementation plan for programs and projects funded by ODA and concessional loan is also part of the annual investment plan, containing detailed information about its components, main activities, items, funding sources including counterpart | MPI | The process is started after issuance of PM's directive on annual planning and budgeting (prior to 15 May) and MPI/MOF's guidance (prior to 15 June).<br>For ODA, every year, when formulating the SEDP and state budget plan, the managing agency shall incorporate the annual program/project implementation plan in its APIP and annual budget plan. Based on the managing agency's annual budget plan, MPI shall formulate APIP and coordinate with the MOF in submitting the annual SEDP and annual budget plan to the National Assembly for approval. |

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|  |                     |                                                                                                                                                                                                                                                                |                                   |  |  | fund, and tentative schedule. |  |  |
|  | PIL. Article 56.4-6 | APIP is formulated by DPI and sent to PPC prior to 20 July, then submitted to PPCc for review prior to 31 July. Capital ceiling for the next year P-APIP is informed by MPI prior to 15 August, APIP is revised and sent by PPC to MPI/MOF prior to 25 August. | DPI is in charge of consolidation |  |  |                               |  |  |

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| Decision over<br>APIP | PIL. Article 61.1-4 | <ul style="list-style-type: none"> <li>- Prior to 20 September, N-APIP is sent by the GoV to the NA's Standing Committee for review</li> <li>- Prior to 20 October, N-APIP is submitted by the GoV to the NA</li> <li>- Prior to 15 November, the NA approves N-APIP</li> </ul> | NA   |  |  |  |  |  |
|                       | PIL. Article 63.1-2 | <ul style="list-style-type: none"> <li>- Prior to 5 December, P-APIP is sent by PPC to PPCc for review</li> <li>- P-APIP, including project list and funding amount of each project, is decided prior to 10 December</li> </ul>                                                 | PPCc |  |  |  |  |  |

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| APIP assignment                                    | PIL. Article 61.5                                            | - Prior to 30 November, line ministry's APIP, including total funding and composition, is assigned by PM.<br>- Prior to 31 December, detailed funding for each project is appropriated by line ministry to its subordinates                                                                                                                                                                                                                                                                                                                                                                                                                   | PM  |  |  |  |  |                                                                                                                                                                                                                                                                                                                                                        |
|                                                    | PIL. Article 63.4                                            | Detailed APIP of each subordinate unit is assigned prior to 31 December                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | PPC |  |  |  |  |                                                                                                                                                                                                                                                                                                                                                        |
| <b>Alignment of capital budget with strategies</b> |                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |     |  |  |  |  |                                                                                                                                                                                                                                                                                                                                                        |
| Medium-term expenditure framework (MTEF)           | SBL, Art. 42, 43<br>Decree 45/2017<br>MOF's Circular 69/2017 | <p>42. Annual budget plan consists of plans for revenue collection, capital budget, recurrent budget of which budget for education and science and technology is specified, NTPs, debt service, and borrowing.</p> <p>43. MTEF is developed for every three years in rolling principle, used as reference for making decision over annual budget plan and providing medium-term vision for policies and priority setting. Central line ministries, PPC and level 1 spending units at central and provincial levels are responsible for making MTEFs</p> <p>Content and method of making MTEFs are stipulated in Decree 45 and Circular 69</p> |     |  |  |  |  | <p>In annual budgeting, capital and recurrent budget are separately developed.</p> <p>Approach or templates to link those budget plans are absent.</p> <p>Two sets of templates and approaches are specified for budgetary tier and Level 1 spending unit, in which only for the latter the link is required.</p> <p>However, neither PIL requires</p> |

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|                                                          |                |                                                                                                                                                                                                                                                                           |                              |  |  |  |  | to make 3 year investment plans nor provides guidance to disaggregate 5 year funding envelop into annual ceilings, causing impossible to make comprehensive MTEF with a sound connection between capital and recurrent budget.                                                                                                                                |
| <b>PROJECT IMPLEMENTATION, MONITORING AND ADJUSTMENT</b> |                |                                                                                                                                                                                                                                                                           |                              |  |  |  |  |                                                                                                                                                                                                                                                                                                                                                               |
| <b>Time schedule for project implementation</b>          |                |                                                                                                                                                                                                                                                                           |                              |  |  |  |  |                                                                                                                                                                                                                                                                                                                                                               |
| Time binding for public investment projects              | PIL. Art. 52.2 | Budget for implementing public programs and projects, whose Investment Policy Decisions are made by competent authorities, and new programs and projects, should be allocated not more than 6 years for Group A, 4 year for Group B, and 3 years for Group C programs and | PM, PPCc, competent agencies |  |  |  |  | It is often confused between time limit for capital budget allocation and project implementation. The former is stipulated here (PIL, Art. 52.2) while the latter is not required by either PIL or Construction Law (for project with construction component). Usually, time for project implementation is equal to, or exceeds, time for capital allocation. |

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|                                                                     |                                                              | projects. If such time limit cannot be guaranteed, the PM is responsible for deciding time limits for centrally funded projects and PPCc for locally funded projects                                                                                        |                                                                                                          |                           |                               |                                                                               |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Bidding procedures for selection of implementing contractors</b> |                                                              |                                                                                                                                                                                                                                                             |                                                                                                          |                           |                               |                                                                               |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Bidding procedures for one-stage bidding                            | Procurement Law. Article 30, 31 ; Decree 24/2024, Art. 22-44 | The one stage one envelop bidding procedure is applied to (i) competitive bidding or limited bidding for non-consulting services, goods procurement, civil works or mixed packages; (ii) Competitive offers for non-consulting services, goods procurement, | Investment decider or investment owner, person in charge of approving bidder selection plan and results. | Advanced procurement plan | Procurement Law. Article 42 , | Move to Strategic Planning Stage (Category A) as the last step (Step 5) above |  | The contractor selection shall be carried out in accordance with the international treaty between Viet Nam and the foreign donor; where there are discrepancies on contractor selection between the international treaty to which Viet Nam is a signatory and the Procurement Law, such international treaty shall prevail. If the international treaty does not provide for contractor selection procedures, the contractor selection process shall be carried out in accordance with the Procurement Law. |

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|  |  | <p>civil works and mixed packages;<br/> (iii) Single source bidding for consulting services, non-consulting services, goods procurement, civil works, and mixed packages; and (iv) Direct goods procurement.<br/> The two stage one envelop bidding procedure is applied to (i) competitive bidding or limited bidding for consulting services; (ii) competitive bidding or limited bidding for non-consulting services, goods procurement, civil works or mixed packages,</p> |  |  |  |  |  |  |
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|                                          |                                                       | which involve highly technical requirements;                                                                                                                                                                                                                                                                                                       |                                                                                                          |  |  |  |  |  |
| Bidding procedures for two-stage bidding | Procurement Law, Article 32-33; Decree 24. Art. 45-48 | The two-stage and one envelope bidding procedure is applied to competitive bidding or limited bidding for goods procurement, civil works, or mixed packages of which specific and adequate technical requirements are not yet identified when the bidding is conducted. The two-stage and two envelope bidding procedure is applied to competitive | Investment decider or investment owner/ person in charge of approving bidder selection plan and results. |  |  |  |  |  |

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|  |  | bidding or limited bidding for goods procurement, civil works, or mixed packages which employ new, complicated and/or special techniques or technologies but of which specific and adequate technical requirements are not yet imposed when the bidding is conducted.: (1) Development of project design and costing; (2) Appraisal of project design and costing (for project without construction component referring to Decree 40/2020. Article 29.1-2; and for project |  |  |  |  |  |  |
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|  |  | <p>with construction component referring to Construction Law, Article 1.24-26; Decree 10/2021, Article 13.3-4); (3) Approving construction design (for implementation) after completion of basic design (for project without construction component referring to Decree 40/2020, Art. 29.1-2; and for project with construction component referring to Decree 15/2021, Article 35.5); (4) Bidder selection planning; (5) Appraisal and approval of bidder selection</p> |  |  |  |  |  |  |  |
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|                                     |                                                 | plan; and (6)<br>Organization of bidding to select contractor. The last three steps are similar to that of one phased bidding.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |  |  |  |  |                              |  |
| <b>Monitoring and Evaluation</b>    |                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |  |  |  |  |                              |  |
| MTIP/APIP monitoring and adjustment | Decree 40/2020. Article 44-45                   | <ul style="list-style-type: none"> <li>- Ministries and PPCs shall complete annual capital budget appropriation plan for APIP prior to 31 December of the current year</li> <li>- MPI reviews appropriation plans within 15 days since receiving reports from ministries and PPCs, informs DOF and State Treasury for expenditure control, and recommends adjustments in appropriation plans if needed.</li> <li>- For central and provincial MTIPs, prior to 31 July of the third year and the fifth year of MTIP cycle, MTIP implementation and disbursement progress until the second quarter of the third year and estimated MTIP implementation and disbursement progress towards the end of the MTIP cycle should be reported by ministries and PPCs to MPI/MOF respectively.</li> <li>- For central and provincial APIP, prior to the 15th of a month, actual disbursement of the last month and estimated disbursement of this month should be reported to MPI/MOF. By the same token, prior to 10th of the first month in a quarter, quarterly disbursement progress of the previous quarter, prior to the 10th July, a bi-annual disbursement progress, and prior to the 28 February of the next year, annual disbursement progress of the previous year should be reported.</li> </ul> |  |  |  |  |                              |  |
|                                     | PIL. Article 67<br>Decree 40/2020, Article 50.1 | <ul style="list-style-type: none"> <li>- The NA can adjust MTIP/APIP when changes in national development strategies and plans, and in revenue collection occur. The NA's Standing Committee can make inter-agency adjustments in ministries' and provinces' MTIPs and APIPs as long as total five year and annual funding</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |  |  |  | NA, GoV, ministry, PPCc, PPC |  |

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|                      |                                                 | <p>envelopes remain unchanged.</p> <ul style="list-style-type: none"> <li>- PM can adjust central components in ministries' and provinces' MTIPs and APIPs, given their five year and annual budget envelopes remain unchanged. MPI helps the PM to review adjustment proposals.</li> <li>- Head of ministry can make cross-project adjustments of central budget appropriation in its APIPs within the annual budget ceiling.</li> <li>- PPC can make adjustments of target transfers from central budget in its APIPs given that adjustments do not exceed the annual budget ceilings; cross-sector and cross-project adjustments of provincial budget components in its MTIP and APIPs and report to PPCc in the coming PPCs meeting session.</li> <li>- PPCc can make adjustments of the provincial budget component in its MTIP and APIPs when changes in its development priorities, revenue collection, and actual implementation occur.</li> </ul> |                                                                                         |  |
| Project monitoring   | Decree 29/2021. Art. 51-54                      | <ul style="list-style-type: none"> <li>- PIP monitoring is conducted by investment owner, supervisor agency of investment owner, and PIM agency (MPI/DPI) and specialized state management agency. Investment owner conducts self-monitoring over project implementation. Supervisor agency (or investment decision maker) checks at least once for more than 12 month projects and when adjustment in project design is made. PIM agency conducts periodical and ad hoc checking (Article 50).</li> <li>- Aspects to be monitored and checked by different actors are defined in Article 51-54.</li> </ul>                                                                                                                                                                                                                                                                                                                                                | Investment owner, supervisor agency, PIM agency and specialized state management agency |  |
| MTIP/APIP evaluation | PIL. Article 70<br>Decree 40/2020, Article 50.2 | <ul style="list-style-type: none"> <li>- Mid-term and End-term evaluations are applied to MTIP, while quarterly and annual evaluations are applied to APIP</li> <li>- The focus of MTIP/APIP evaluation: (a) actual performance vs. planned; (b) impacts on development and mobilization of other funding sources; (c) feasibility of MTIP/APIP; (d) PIM practice; and (dd) shortcomings and proposed solutions</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                         |  |

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| Project evaluation and reporting | Decree 29/2021. Art. 55<br>Circular 05/2023/TT-BKHDT | <ul style="list-style-type: none"> <li>- Nationally important and Group A projects are subject to ex-ante (appraisal), mid-term, end-term, and ex-post (impact) evaluations. Group B and C projects are subject to end-term and ex-post evaluations. Ad hoc evaluation can be applied if needed.</li> <li>- Project evaluations are conducted by investment owner (ex-ante, mid-term, and end-term evaluation), supervisor agency/investment decision maker (ad hoc and ex-post evaluation), and PIM agency (all evaluations as planned and ad hoc evaluation).</li> <li>- Focuses of investment efficiency evaluation: (a) evaluation methods: comparative or triangulated analysis or CBA; (b) criteria: meeting investment objectives, actual utilization vs. planned, EIRR, socio-economic and environmental impacts, and mitigation remedies.</li> </ul> <p>Circular 05/2023/TT-BKHDT provides templates for project M&amp;E, online reporting regime and operation of PIM M&amp;E system. The template set includes (a) overall annual M&amp;E (Temp. 1); (b) Ex-ante report (Temp. 2); (c) periodical M&amp;E - biannual and annual (Temp. 3); (d) mid-term (Temp. 4); (dd) before adjustment (Temp. 5); (e) Ad hoc evaluation (Temp. 6); (f) terminal (Temp. 7); (g) periodical report in operation stage (Temp. 8); (h) ex-post (Temp. 9); (i) consolidated annual report (Temp. 10)</p> <ul style="list-style-type: none"> <li>- Investment owner is obliged to update its investment policy decision and investment decision in the system within 7 days since decision is signed. In the 25th day of a month, information on (i) actual works performed and actual disbursement; (ii) pictures and/or video of actual progress should be updated in the System. When project is terminated, information of approved disbursement clearance report should be uploaded in the System within 7 days since the report is approved.</li> </ul> |  |  |
| Community oversight              | PIL. Article 75; Decree 29/2021                      | <ul style="list-style-type: none"> <li>- Community oversight board should be established and headed by Viet Nam Fatherland Front (VFF) as stipulated in Article 75 of PIL 2019. The Board consists of at least 5 members from commune VFF, People's Inspectorate, and representatives of residents. Its authority and focuses of its oversight are stipulated in Article 85 and 86 of Decree 29/2021</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |  |  |
| <b>Project adjustment</b>        |                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |  |  |

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| MTIP/APIP adjustment | PIL. Art. 67.1-2, Decree 40, Art. 46-48 | NA can adjust MTIP/APIP in the following cases: (i) changes in objectives of SEDS/SEDP; (ii) unexpected changes in fiscal balance and ability of funding mobilization. NA' Standing Committee can adjust MTIP/APIP as long as total funding ceilings of MTIP/APIP which are already decided by the NA remains unchanged. | NA/NA's Standing Committee |  |  |  |  |  |
|                      | PIL. Art. 67.3.4, Decree 40, Art. 46-48 | PM can adjust MTIPs of central ministries and provinces given that the ceilings decided by the NA are kept unchanged. MPI is responsible for reviewing                                                                                                                                                                   | PM                         |  |  |  |  |  |

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|  |                                       | adjustment proposals and reports to PM for decision                                                                                                                   |                  |  |  |  |  |  |
|  | PIL. Art. 67.5, Decree 40, Art. 46-48 | Head of central ministry can adjust inter-project investment costs in its own APIP given that the list of entitled projects and annual budget ceilings are unchanged. | Head of ministry |  |  |  |  |  |
|  | PIL. Art. 67.6, Decree 40, Art. 46-48 | PPC can adjust its own APIP for projects funded by budget target transfer in its own APIP, given that the list of project and total transfer amount are unchanged     | PPC              |  |  |  |  |  |

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|                    | PIL. Art. 67.7, Decree 40, Art. 46-48 | Provincial People's Council can adjust its own MTIP in the following cases: (i) changes in objectives of provincial SEDS/SEDP; (ii) unexpected changes in fiscal balance and ability of funding mobilization of local budget; (iii) changes in investment needs and annual disbursement progress .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | PP Council |  |  |  |  |  |
| Project adjustment | PIL. Art. 43, Decree 40, Art. 22-23   | <p>1. Public investment program can be adjusted in the following cases: (a) changes in objectives and conditions for implementation thereof in the SEDS/SEDP and other related masterplans as stipulated in master planning; (b) adjustment or cancellation of investment policies; (c) causes of force majeure resulting in changes in investment objectives, scale, expenses for and duration of implementation of a public investment program.</p> <p>2. Public investment project can be adjusted in the following cases: (a) adjustment or cancellation of investment policies; (b) adjustment in the relevant masterplans; (c) causes of force majeure resulting in changes in investment objectives, scale, expenses for and duration of implementation of a public investment project; (d) under the impact of emergencies arising from natural disasters, conflagration or other force majeure</p> |            |  |  |  |  |  |

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|                                                                                                                                                            |                               | events upon expiry of the project’s insurance policy; (dd) if factors creating more financial or socio-economic efficiency arise by reason of such modification and such efficiency is evaluated by the competent authority; and (e) if the price index quoted during the time of implementation of the project is higher than the price index used for calculation of the allowance for depreciation included in the project’s gross investment that is decided by the competent authority. |                                                                       |                                                                                                  |                                                       |                                                                                                                                                                                                                                        |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |  |
| PROJECT HAND-OVER AND OPERATION                                                                                                                            |                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                       |                                                                                                  |                                                       |                                                                                                                                                                                                                                        |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |  |
| Procedure for final handing-over (Decree 06, Article 13.14 stipulating investment owner's and contractor's obligation for final checking and handing-over) |                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                       |                                                                                                  |                                                       |                                                                                                                                                                                                                                        |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |  |
| Organization of checking process                                                                                                                           | Decree 06/2021. Article 21-26 | A National Checking Committee is established to check organization of checking and handing over process over completion of nationally important projects and projects with complex construction component. Specialized agency of relevant                                                                                                                                                                                                                                                    | Contract or, supervising agency, investment owner, specialized agency | Carry out the performance management and financial management; Complete and transfer the results | Decree 114. Article 49.1, Decree 99/2021, Article 1.4 | Regarding a construction project, the appraisal of the feasibility study report; the approval of the investment project; the appraisal and approval of the construction design; the grant of construction permit, construction quality | Project owner | (1) Compensation, support and resettlement in the course of implementation of programs/projects shall comply with applicable regulatory provisions and international treaties on ODA and concessional loan to which Viet Nam is a signatory. Where there are discrepancies between Viet Nam's domestic law and a signed international treaty on the same issue, the latter shall prevail.<br>(2) For ODA loans, provided by foreign donors for funding public investment projects, procedures and processes for controlling payment and settlement that be subject to |  |

|                                               |                                                           |                                                                                                                                                               |                  |  |  |                                                                                                                                                                                                                                                                                                                                                                                |  |                                                                                                                                                                                                                                                                                             |
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|                                               |                                                           | ministries and PPC is obliged to check projects under their authority as stipulated in this Decree. The article also stipulates checking aspects and process. |                  |  |  | management, acceptance, hand-over, project warranty and insurance shall comply with applicable regulatory provisions on construction management and international treaties on ODA and concessional loan to which Viet Nam is a signatory. Where there are discrepancies between Viet Nam's domestic law and the international treaty already in effect on the same issue, then |  | regulation of Decree 99, procedures for fund withdrawal and fund withdrawal management shall be subject to international treaties pertaining to ODA, soft loans of foreign donors and regulations of the GoV on management and disbursement of ODA and concessional loans of foreign donors |
| Hand-over                                     | Decree 06/2021. Article 27.2-4, Decree 99. Article 32.4-5 | Investment owner is obliged to prepare a project profile for O&M purpose and hands it over to asset manager or operator                                       | Investment owner |  |  |                                                                                                                                                                                                                                                                                                                                                                                |  |                                                                                                                                                                                                                                                                                             |
| Submission of financial profile for clearance | Decree 99/2021. Article 34.1                              | The Article stipulates components of the financial profile to serve the final verification and payment.                                                       | Investment owner |  |  |                                                                                                                                                                                                                                                                                                                                                                                |  |                                                                                                                                                                                                                                                                                             |
| Audit of financial clearance report           | Decree 99/2021. Article 35.2-3                            | Financial management agency (MOF, DOF) is obliged                                                                                                             | Investment owner |  |  |                                                                                                                                                                                                                                                                                                                                                                                |  |                                                                                                                                                                                                                                                                                             |

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|                                              |                                         | to check and verify all documents in the report. Independent auditing firm is invited to audit financial profile of the project.                                                                                                                                                           |                           |  |  | the international treaty shall prevail |                                                                                                                                                                                                                                                                                               |  |
| Approval of final financial clearance report | Decree 99/2021. Article 35.1            | Investment decision maker is responsible for approving the completion report and final financial clearance report                                                                                                                                                                          | Investment decision maker |  |  |                                        |                                                                                                                                                                                                                                                                                               |  |
| <b>Operation and Maintenance</b>             |                                         |                                                                                                                                                                                                                                                                                            |                           |  |  |                                        |                                                                                                                                                                                                                                                                                               |  |
| O&M cost                                     | PIL. Art. 29.5, 30.1i, 31.5, 44.2k      | Inclusion of O&M cost is required as a part of Investment Policy Proposals of public investment programs and projects and project FS report.                                                                                                                                               |                           |  |  | Investment owner                       | While O&M cost of project is concerned in evaluation Investment Policy proposal or FS, and MOF is responsible for O&M cost allocation, there is no further guidance how such cost can be calculated and budgeted in a mandatory manner. In addition, in Decree 40, this cost is not listed in |  |
|                                              | PIL. Art. 81.3<br>Decree 06. Art. 30-35 | MOF, in coordination with MPI, is responsible for allocating budget for O&M activities of operating projects<br>Process and procedures of maintenance, maintenance plan and implementation, quality assurance and maintenance cost for construction projects are specified (in Decree 06). |                           |  |  | MOF                                    |                                                                                                                                                                                                                                                                                               |  |

|                                   |                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                             |                                                                                                                                                                                                                                                                                                                                        |
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| Asset registration and management | Law on Management and Use of Public Asset 2017. Art. 75-79 | Infrastructure asset is generated from new investment among other channels (Art. 77). Management of infrastructure asset invested by state budget can be assigned to administrative agency, armed forces, PSDUs, enterprises, or other eligible entities (Art. 75). Assigned entity is responsible for setting up and managing asset profile; recording its value in compliance with Accounting Law and relevant regulations; following asset reporting and public disclosure requirements; maintaining, improving and protecting infrastructure property; fulfilling financial obligations generated from asset utilization; and handing over the asset if required (Art. 76). Asset profile consists of (i) historical record of asset generation and changes over time; (ii) reports on asset management and use and other required reports; and (iii) infrastructure asset data recorded in National Database on Public Assets (Art. 78). Infrastructure asset must be maintained in accordance with preset standards, technical norms and specifications, and process. Asset management entity is responsible for publicizing the list of assets and annual maintenance plan, while maintenance activity could be outsourced. Maintenance cost can be appropriated from state budget or other eligible funding sources (Art. 79) | Assigned public asset management entity     | Infrastructure facility created from public investment project is considered public asset and is managed by an entity assigned by the government. The assigned management entity is responsible for asset registration, management and use in compliance with the Law on Management and Use of Public Assets and relevant regulations. |
| <b>EX-POST EVALUATION</b>         |                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                             |                                                                                                                                                                                                                                                                                                                                        |
| Terminal Evaluation               | PIL. Art. 73.3, Decree 29, Art. 55.4                       | Terminal evaluation shall address the following issues: (a) Implementation process (project management activities; achievements of objectives, resource mobilization and utilization, benefits for beneficiaries, project impact and sustainability); and (b) lessons learnt and recommendations, and accountability of consulting agencies, project owners, investment owner, investment policy decision and investment decision makers; and other stakeholders                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Investment owner, investment decision maker | Method, budget for ex-post evaluation has yet been specified in PIL or any sub-law guiding regulation. For example, for efficiency assessment, Decree 29 provides two options: (1)                                                                                                                                                     |

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| Impact Evaluation | PIL. Art. 73.4, Decree 29, Art. 55.4 | Impact evaluation shall address the following issues: (a) Review of current economic - technical status of post-investment projects; (b) Socio-economic impacts; (c) Environmental and biological impacts; (d) Project sustainability; (dd) Lessons learned from investment policies, investment decisions, implementation and operation of a public investment program or project; responsibilities of consulting organizations, governing bodies, program/project owners and persons competent in granting decisions on investment policies, investment decisions and other entities or persons involved. | Investment owner, investment decision maker | benchmarking or (2) CBA. Efficiency criteria could be asset utilization ration (actual vs. designed), EIRR, economic, social and environmental impacts, and mitigation measures. However, there is a lack of technical guideline for application of such methods and criteria. |
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