

**Vietnam: Coastal Resources for Sustainable Development Project (Cr. 5113-VN)  
Fifth Implementation Support Mission: June 17 – 27, 2014  
Aide-memoire**

Original IDA Amount:	USD 100,000,000 (SDR 64,600,000)
Co-financing (GEF AF)	US\$6,500,000
Total original costs	US\$117,900,000
Total Revised Costs	US\$124,400,000
Board Approval Date:	May 10, 2012
Effectiveness Date:	November 2, 2012
Closing Date:	January 31, 2018

## I. INTRODUCTION

1. An implementation support mission (ISM)<sup>1</sup> visited Vietnam from June 17 – 27, 2014 for the Vietnam Coastal Resources for Sustainable Development Project (CRSD). The main objective of the mission, as articulated in the mission announcement letter dated June 4, 2014 was to: (a) review implementation progress of CRSD at the central level (PCU) and in all eight project provinces, with a special focus on: (a) implementation progress and quality of all Components (A, B, and C), including social and environmental safeguards compliance, procurement and disbursement aspects; (b) implementation of the recommendations of the previous mission in October 2013; (c) identifying constraints and accelerating implementation progress in low performance provinces; and (d) discussing and preparing a plan to implement the Impact Evaluation for fisheries co-management.

2. The mission wishes to express its sincere thanks to the Directorate of Fisheries (DOF), the Project Coordination Unit (PCU) of the Ministry of Agriculture and Rural Development (MARD), and the Provincial Project Management Units (PPMUs) of the project provinces.

3. This aide-memoire was presented on June 27, 2014 at the wrap-up meeting in Hanoi, chaired by Mr. Nguyen Huy Dien, Vice Director General of Directorate of Fisheries of MARD, with participation of representatives from MARD Departments, the PCU, and the PPMUs. It summarizes the mission's key findings, recommendations and agreements, which are subject to Bank management endorsement.

## II. SUMMARY OF ISSUES AND KEY RECOMMENDATIONS

4. CRSD has four components: (A) institutional capacity strengthening for sustainable fisheries management; (B) good practices for sustainable aquaculture; and (C) sustainable management of near-shore capture fisheries; and (D) project management, monitoring and evaluation. The Project Development Objective (PDO) is to improve the sustainable management of coastal fisheries in the Project Provinces.

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<sup>1</sup> The mission included Binh Thang Cao (TTL), Lan Thi Thu Nguyen (co-TTL), Tuan Anh Le (Social Development Specialist), Khang Van Pham (Environmental Management Specialist), Hoai Van Nguyen (Procurement Specialist), Ha Thuy Tran (Financial Management Specialist), and Nyan Taw (Shrimp Hatchery Specialist, FAO Consultant). The mission was accompanied by the Director and key staff of the PCU. Mr. Joseph Sciortino (Fishing Port Specialist, FAO Consultant) conducted his mission from May 11-24, 2014 to provide inputs for the Bank ISM.

The PDO level indicators include: (i) increase in the proportion of farms meeting national standards for water effluent following the adoption of good aquaculture practices (GAP); (ii) reduction in shrimp disease losses in the production areas applying GAP; and (iii) increase in the proportion of areas in which sustainable near-shore fisheries resource management systems are applied. The project's closing date is January 31, 2018.

### Summary of Progress

5. **Disbursement:** Project disbursement remained low (i.e. around 10% by June 30, 2014). However, procurement progress has been significantly improved with a total value of signed contracts of around US\$ 25 million in the past 6 months (at the PCU and PPMUs). It is expected that disbursement will be accelerated in the second half of 2014 and in the following years.

6. **Physical progress:** A review of progress against the agreed actions from the previous ISM (April, 2013) shows progress across all components in all project provinces since the last ISM in October 2013, although there are still a number of outstanding activities (Annex 1). Key achievements under each component are summarized below.

- **Component A:** ISP consultants (international and national) were mobilized. The consultants carried out field visits to project provinces then conducted additional ISP training for PPMUs. In Thanh Hoa, Nghe An, Soc Trang, and Ca Mau, all coastal districts have received ISP training from the PPMUs. ISP training for the commune level already started in Thanh Hoa, Nghe An, Ha Tinh, Binh Dinh, and Ca Mau. Recruitment of consulting services for the Vnfishbase upgrade was at the final stage (the Consultant is expected to be mobilized in the next 3 months). A list of 20 research proposals recommended by DOF to support the implementation of the Fisheries Sector Master Plan were reviewed and given no objection by the Bank.
- **Component B:** At the central level, the PCU conducted training of trainers (TOT) on GAP, training for PPMUs on GAP certification and aquatic disease epidemiology, and organized knowledge sharing workshops on disease monitoring. In the project provinces, cumulatively a total of 27 Good Aquaculture Practice (GAP) zones (total of 10,140 ha) and 17 aquaculture diversification zones (1,900 ha) have been identified and established; around 165 demonstration sites have been implemented (59 sites on VietGAP shrimp farming and 106 sites on aquaculture diversification) as farmer field schools (FFS) and around 190 training courses on GAP, monitoring of seed and diseases, traceability, aquaculture diversification, etc. have been conducted for over 7,100 farmers. Upgrades of biosecurity infrastructure have begun for 11 GAP zones and 7 diversification zones in Thanh Hoa, Nghe An, Soc Trang and Ca Mau.
- **Component C:** Draft fisheries co-management plans (CMPs) for eleven pilot communes involving around 3,900 fishing households (2 in each province of Thanh Hoa, Nghe An, Binh Dinh, Phu Yen, and Ca Mau, and 1 in Soc Trang) were reviewed and given no objection by the Bank. Draft CMPs for 4 pilot communes in Ha Tinh and Khanh Hoa were being revised taking into comments from the Bank. Preparation for the next batch of communes (50 communes) is expected

to start in August 2014 following the randomization plan suggested by the DIME team. The baseline survey for the IE work is underway. Contracts for the upgrades of 10 out of 16 selected fishing ports/and landing sites were awarded and construction already started.

- **Component D:** A number of technical consultants were mobilized. Recruitment of the remaining individual technical consultants, including the Chief Technical Advisor (CTA) is at the final stage. It is expected that most of the consultants can be mobilized in the next 3 months.

### Key Agreed Actions

1. **Component A:** In the next 6 months, the priority under Component A is to accelerating ISP activities in the pilot districts. It was agreed that by December 31, 2014: (a) all coastal districts in Ha Tinh, Phu Yen, Khanh Hoa and Binh Dinh and 50% of coastal communes in all project provinces will be trained in ISP; and (b) all PPMUs should accelerate field activities in the pilot districts, especially in identifying the overlap/conflict areas among sectors. The ISP consultants should be available to guide the PPMUs in conducting stakeholder consultations at the provincial, district, and commune levels.
2. **Component B:** The priority under Component B in the next 6 month period is to further enhance quality of implementation in the GAP zones. It was agreed that (a) the PCU would work with the Department of Animal Health (DAH) to develop a detailed program to strengthen disease monitoring, surveillance, outbreak containment, and veterinary services for the GAP zones, (b) PCU/PPMUs would evaluate the effectiveness of training and demonstration activities emphasizing on farmers' behavior change and adoption; (c) Binh Dinh, Khanh Hoa, Phu Yen, Ha Tinh, Nghe An, Ca Mau should review and expand their GAP coverage because the present total area of the project-supported GAP zones in these provinces are quite small (<200 ha in each province); and (d) the project should focus its technical support on Soc Trang because the area of the project-supported GAP zones in Soc Trang alone accounted for around 85% of the total project-supported area (i.e. 8,584 ha out of 10,139 ha). These should be carried out by October 31, 2014.
3. **Component C:** FY 2015 will be the critical year for implementing most of the fisheries co-management schemes supported by the project. It was agreed that (a) the PCU will monitor and ensure the baseline survey will be completed by September 30, 2014; (b) PPMUs will identify village facilitators (VFs) for 50 selected fishing communes which will be implemented in the next batch. Training for VFs should be conducted and completed by October 31, 2014 so that preparation of co-management plans could start and finish in two months of November-December 2014.
4. **Component D:** It was agreed that the PCU will finalize the procurement process and mobilize the CTA before October 31, 2014.

### III. IMPLEMENTATION PROGRESS BY COMPONENT

#### (A) Institutional capacity strengthening for sustainable fisheries management

7. This component comprises three subcomponents: (a) Inter-sectoral spatial planning for coastal areas; (b) Upgrading of Vietnam Fisheries database; and (c) Selected policy research.

#### **(A1) Inter-sectoral spatial planning (ISP) for coastal areas**

8. **Progress:** The key progress in the past 6 months includes the mobilization of international and national ISP consultants in early 2014 and the provision of additional ISP training for PPMUs by the consultants. Nghe An, Thanh Hoa, Ca Mau and Soc Trang PPMUs have conducted ISP training for all coastal districts in their provinces. Nghe An, Thanh Hoa, Ca Mau, Binh Dinh, and Ha Tinh have begun ISP training for the commune level. All PPMUs are in the process of recruiting consulting services to conduct field surveys and other necessary assessments (i.e. aquatic resources, environmental and social aspects) to provide the basis for the ISP work. The draft Terms of Reference (TOR) for the Strategic Environmental Assessment (SEA) is being prepared by the PCU taking into account the comments from the Bank.

9. **Agreed Actions:** It was agreed that:

- PCU and the ISP consultants would assist PPMUs in conducting training for all coastal districts and communes in their provinces. The target is that all coastal districts in Ha Tinh, Phu Yen, Khanh Hoa and Binh Dinh and at least 50% of coastal communes in the project provinces will be trained in ISP by December 31, 2014.
- All PPMUs would accelerate field activities for ISP in the pilot districts, especially in identifying the overlap/conflict areas among sectors and complete recruitment of consulting services for field surveys and other necessary assessments by December 31, 2014 to support ISP in the pilot districts.
- All project provinces should review the work of the ISP teams and strengthen the ISP teams by adding relevant members which are currently missing, clarifying their roles and responsibility, preparing their TORs. The PCU would monitor this and report to the Bank by December 31, 2014.
- PCU would start recruiting consulting services for the SEA in August and complete it by December 31, 2014.

#### **(A2) Upgrading of Vietnam Fisheries database (Vnfishbase)**

10. **Progress:** Recruitment of consulting services for the Vnfishbase upgrade is underway. It is expected that the Consultant will be mobilized in September 2014. A training plan for staff at DECAFIREP and Information Center (IC) on various aspects of the database has been prepared and approved by DOF. Implementation will start soon.

11. **Agreed Actions:** It was agreed that:

- PCU would accelerate their internal review processes to mobilize the consultant for the Vnfishbase upgrade by September 30, 2014.
- Initial training for staff at DECAFIREP and Information Center (IC) on various aspects of the database will start in October 2014.

#### **(A3) Selected policy research**

12. **Progress:** A list of 20 research proposals recommended by DOF to support the implementation of the Fisheries Sector Master Plan have been reviewed and given no objection by the Bank. A few TORs are being developed by the PCU.

13. **Agreed Actions:** It was agreed that:

- PCU would develop and send at least 10 TORs to the Bank for review and no objection by September 30, 2014; at least two contracts will be awarded by December 31, 2014.
- PCU would suggest DOF consider adding one study on allocation of fishing rights to local fishing communities in open- access waters.

### **(B) Good practices for sustainable aquaculture**

14. This component comprises three subcomponents; (a) improved bio-security management; (b) improved seed quality management; and (c) improved environmental management.

#### **(B1) Improved bio-security management**

15. **Progress:** Promoting GAP: Cumulatively, a total of 27 GAP zones (total of 10,140 ha) and 17 aquaculture diversification zones (1,900 ha) have been identified and established in 8 project provinces (Annex 3). Around 165 demonstration sites have been implemented (59 sites on VietGAP shrimp farming and 106 sites on aquaculture diversification) as farmer field schools (FFS) and around 190 training courses on GAP, monitoring of seed and diseases, traceability, aquaculture diversification, etc. have been conducted for over 7,100 farmers. At the central level, the PCU conducted training of trainers (TOT) on GAP, training for PPMUs on GAP certification and aquatic disease epidemiology, and organized knowledge sharing workshops on disease monitoring.

16. Biosecurity infrastructure upgrades: Upgrades of biosecurity infrastructure have already begun for 11 GAP zones and 7 diversification zones in Thanh Hoa, Nghe An, Soc Trang and Ca Mau (contracts have been awarded and construction has started). No contracts have been awarded in Ha Tinh, Binh Dinh, Phu Yen, and Khanh Hoa.

17. Strengthening veterinary networks and disease monitoring and control: The PCU cooperated with DAH organized a workshop in Da Nang on disease monitoring and surveillance to review and share experience among the project provinces. With the project support, 9 veterinary offices and 6 extension offices (provincial and district levels) in Nghe An, Binh Dinh, and Soc Trang have been upgraded. Upgrades of veterinary offices and extension offices have not yet started in Thanh Hoa, Ha Tinh, Phu Yen, Khanh Hoa, and Ca Mau.

18. **Agreed Actions:** It was agreed that:

- PCU/PPMUs would evaluate the effectiveness of training and demonstration activities emphasizing on farmers' behavior change and adoption. The PCU would hire consultants by October 31, 2014 to develop communications program in the selected GAP areas, promoting collective action among groups and aiming at providing GAP certification on a zonal basis.
- The PCU would review VietGap criteria and adjust them taking into account smallholders' conditions. Where land available for wastewater treatment is limited, alternatives need to be studied. One potential solution is the use of the

Biofloc Technology to recycle water within culture ponds. Therefore, the PCU should complete the recruitment of the Biofloc Technology consultant as soon as possible, preferably before September 30, 2014.

- PCU/DOF should provide greater technical support to Soc Trang because the area of the project-supported GAP zones in Soc Trang accounts for more than 80% of the total project-supported GAP area. Binh Dinh, Khanh Hoa, Phu Yen, Ha Tinh, Nghe An, and Ca Mau should review and expand the coverage of GAP areas in the remaining years because the present total area of the project-supported GAP zones in these provinces are quite small (<200 ha in each province).
- PCU would work with the DAH to develop a detailed program for strengthening disease monitoring, surveillance, and veterinary services in the GAP zones, developing networks and systems for rapid response and emergency disease containment at the provincial, district, commune levels. A draft proposal would be sent to the Bank for review by October 31, 2014.

## **(B2) Improved seed quality management**

19. **Progress:** Domestication and selective breeding program on white shrimp: In 2013, MARD approved a research program for domestication and selective breeding on white shrimp with a total investment of VND 14.5 billion. This program is jointly carried out by the Research Institutes for Aquaculture (RIAs No.1, 2, and 3) and a few selected private sector hatcheries. To date, 11 SPF broodstock populations of white shrimp have been imported from Mexico, Ecuador, Colombia, USA, and Thailand and they are being maintained in a good condition of the RIAs. In the past months, RIAs have also carried out cross-breeding to select families that have high growth rates in Vietnam's conditions, which will then be used for producing SPF broodstock in Vietnam (the plan is aimed at producing 200,000 SPF broodstock by the end of 2015). Regarding the research program on tiger shrimp, RIA2 has imported broodstock from the Pacific and India. A cross-breeding program between the imported and native populations is being carried out. To support these government-led research programs, the project will provide additional resources for the RIAs to upgrade their hatchery facilities. Procurement of equipment is underway and procurement of works is expected to start in Quarter IV of 2014.

20. SPF hatchery area in Ninh Van Bay (Khanh Hoa): A second consultation workshop was held in Nha Trang during this ISM to finalize the layout drawing for the SPF hatchery area in Ninh Van. The revised drawing has incorporated all comments from private sector investors, national and international specialists. Based on this, detailed technical design will be carried out and completed by the end of 2014.

21. Hatcheries biosecurity assessments: The FAO shrimp hatchery consultant joined the mission. This time he visited Khanh Hoa, Phu Yen, Nghe An, and Thanh Hoa to help the PPMUs in conducting a quick biosecurity assessment of existing backyard hatcheries in the provinces. In early 2014, he already visited Ninh Van SPF hatchery area in Khanh Hoa and some backyard hatcheries in Ca Mau province. From these visits, the consultant has developed a guiding note on biosecurity for shrimp hatcheries, including a self-assessment table which will help the PCU/PPMU consultants assess the biosecurity status of shrimp hatcheries existing in their provinces (Annex 4).

22. **Agreed Actions:** It was agreed that:

- PCU would work closely with RIAs to accelerate procurement of equipment and works to support their on-going research programs more effectively. At least one equipment contract will be awarded by October 31, 2014.
- Khanh Hoa PPMU would complete detailed technical design for Ninh Van SPF hatchery area by November 30, 2014. The selection criteria of investors, incentive policy for investors as well as their benefits and obligations will be drafted and finalized before proceeding to procurement.
- PPMUs with technical support of hatchery consultants would conduct biosecurity assessments for shrimp hatcheries existing in their provinces based on the guiding note and self-assessment table developed by the FAO hatchery specialist. Provincial reports on hatchery assessments including a recommended action plan would be submitted to the Bank for review by December 31, 2014.

### **(B3) Improved environmental management**

23. **Progress:** PPMUs have signed responsibility contracts with DONREs to implement water quality monitoring programs for all the GAP and aquaculture diversification zones. According to the PPMU's M&E reports, less than 10% of shrimp farms in the project's GAP zones have effluents meeting the national standards.

24. **Agreed Actions:** It was agreed that:

- The PPMU would organize a provincial workshop in August 2014 to review DONRE's water quality monitoring reports (i.e. at GAP areas, discharge and supply canals and rivers, etc.) in 2013-2014. The workshops should also discuss a plan to assist shrimp farms in the GAP zones to treat their effluents to meet the national standards. The PCU would consolidate the results and send them to the Bank by January 31, 2015.
- To further strengthen the capacity of DONREs, the PCU should accelerate and complete procurement of equipment for DONREs by December 31, 2014.

### **(C) Sustainable management of near-shore capture fisheries**

25. This component comprises two subcomponents: (a) co-management of near-shore capture fisheries; and (b) rehabilitation of fishing ports and landing sites.

#### **(C1) Co-Management of near-shore capture fisheries**

26. **Progress: Fisheries co-management:** Draft fisheries co-management plans (CMPs) for eleven pilot communes involving around 3,900 fishing households (2 in each province of Thanh Hoa, Nghe An, Binh Dinh, Phu Yen, and Ca Mau, and 1 in Soc Trang) have been prepared by the PPMUs and endorsed by the Bank. Draft CMPs for 4 pilot communes in Ha Tinh and Khanh Hoa were being revised. Preparation for the next batch of communes (around 50 communes) is expected to start in August 2014 following the randomization plan suggested by the DIME team. The baseline survey for the IE work is underway.

27. **Monitoring, control, and surveillance (MCS):** The PCU in cooperation with DECAFIREP conducted 6 training courses for 220 government staff in the project provinces, who are in charge of boat registration, safety inspection, fisheries resources protection and management. The project has supported upgrades of 12 field MCS stations in Phu Yen, Binh Dinh and Ca Mau. However, in the other provinces such as Thanh Hoa, Nghe An, Ha Tinh, Khanh Hoa, and Soc Trang, upgrades of MCS field stations

have not been started. While Thanh Hoa, Nghe An, and Binh Dinh PPMUs have developed a close cooperation with the provincial DECAFIREP to conduct joint surveillance exercises, there has been little progress in implementing MCS activities in Phu Yen, Khanh Hoa, Ca Mau, and Soc Trang. It is also noted that in some provinces (i.e. in Soc Trang) the cooperation between the PPMU and the provincial DECAFIREP is not so strong.

28. **Agreed Actions:** It was agreed that:

- Ha Tinh and Khanh Hoa would complete draft CMPs for the pilot communes by August 15, 2014.
- PPMUs would identify village facilitators (VFs) for 50 selected fishing communes which will be implemented in the next batch. Training for VFs would be conducted by PPMUs and completed by October 31, 2014 so that preparation of co-management plans could start and finish in two months of November-December 2014.
- PPMU would strengthen the cooperation with provincial DECAFIREP and encourage DECAFIREP to take the lead in implementing MCS activities.
- Thanh Hoa, Nghe An, Ha Tinh, Khanh Hoa, and Soc Trang PPMUs would accelerate upgrades of MCS field stations.

## **(C2) Rehabilitation of fishing ports and landing sites**

29. **Progress:** Contracts for the upgrades of 10 out of 16 selected fishing ports/and landing sites were awarded in Thanh Hoa, Nghe An, Ha Tinh, Phu Yen, Khanh Hoa, and Soc Trang. Construction has already started. Ca Mau and Binh Dinh PPMUs were conducting bid evaluation and it is expected that contracts will be awarded soon. During this ISM, the FAO fishing port specialist conducted field visits to the project provinces, worked with the PPMUs, and assisted them in developing procedures for quality management during construction period. Regarding Nhon Ly and Tan Phung landing sites in Binh Dinh province, the new cost estimates are far above the previous estimates. The mission suggested the PCU review the funds availability to make appropriate re-allocations during the Mid-term Review in 2015.

30. **Agreed Actions:** It was agreed that:

- PCU/DOF would continue providing training on Operation and maintenance (O&M) for staff working at the upgraded ports/landing sites. A study tour to Japan is recommended.
- PPMUs would develop options to involve local fishing communities in providing services or managing facilities at the upgraded ports (linking the upgraded fishing ports with the CMPs) and options to attract private sector investments in the upgraded fishing ports.

## **(D) Project management, monitoring and evaluation**

31. This component comprises two subcomponents: (a) project management, and (b) monitoring and evaluation.

### **(D1) Project management**

32. **Progress:** The main TA package to recruit the TA team at the central level was cancelled because none of the shortlisted firms have their technical proposal pass the



minimum score. The Bank endorsed the PCU's proposal to recruit the CTA and other key positions through the IC methods. At present, a number of technical consultants have been selected and mobilized and most of other key positions are being evaluated.

33. The cooperation between the PCU and DOF technical departments is generally good. At the provincial level, the cooperation between the PPMU and DARD technical departments is also good in most project provinces except in Soc Trang where the cooperation between the PPMU and provincial DECAFIREP needs strengthening. The capacity and the performance of PPMUs in Ca Mau, Soc Trang, Khanh Hoa, and Ha Tinh need further strengthening and they should receive greater support from the PPCs and DARD technical departments to meet the work requirements.

34. **Agreed Actions:** It was agreed that:

- PCU would accelerate their internal review processes to complete and mobilize the CTA by October 31, 2014.
- DOF, PCU, and PPCs would provide greater support to Ca Mau, Soc Trang, Khanh Hoa, and Ha Tinh PPMUs. In Soc Trang, PPC and DARD would support and strengthen the cooperation between the PPMU and provincial DECAFIREP.

#### **(D2) Monitoring and Evaluation**

35. **Progress:** Quality of the PCU's progress reports has been improving over time. However, the present collection of data and information from the PPMUs to PCU is not adequate for project management purposes. During this ISM, the Bank team provided guidance to the PCU and PPMUs in collecting additional M&E data. In addition, the PCU is also recruiting a local consultant to assist in designing a management information system (MIS) for the project.

36. **Agreed Actions:** It was agreed that:

- PCU would accelerate the procurement process to mobilize the MIS consultant by October 31, 2014.
- PCU would organize an M&E training workshop for PPMUs in August 2014.

#### **IV. GEF ADDITIONAL FINANCING AND PROJECT IMPACT EVALUATION**

37. **GEF Additional Financing (AF):** The GEF AF (US\$6.5 millions) would finance eligible expenditures of Activity A1 (inter-sectoral planning) and Activity C1 (co-management of near-shore fisheries). Under these subcomponents, GEF's financing priority will be given to developing and implementing Locally Managed Marine Areas (LMMA)<sup>2</sup> that possess high biodiversity values and rigorous Impact Evaluation (IE) of co-management pilots.

38. **Progress:** In May 2014, the PCU and the Bank Biodiversity Specialist jointly conducted initial assessments at three potential LMMA sites in Khanh Hoa (Nha Phu site with LMMA planning area approx. 7,000 ha), Phu Yen (Tuy An site with LMMA planning area approx. 40,000 ha), and Binh Dinh (Qui Nhon site with LMMA planning area approx. 15,000 ha). Consultation meetings were held with the provinces' technical teams to conduct preliminary LMMA management planning including:

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<sup>2</sup> The project focuses on promoting a participatory, less-formalized approach to sustainably manage fisheries ecosystems based on a co-management foundation, and avoid establishing a bulky administrative system and heavy investments in civil works, as is normally the case in many MPA projects.

- i) Initial consultations and orientation with PPMU/DARD;
  - ii) Review and/or confirmation of key issues for LMMA planning including geographic scope, threats and user conflicts to be addressed, communities involved in LMMA co-management; integration with CRSD components;
  - iii) LMMA management plan orientation, objectives-setting and if possible preliminary discussions on zoning;
  - iv) Discuss fisheries surveys (profiles) to identify opportunities and interest for exiting/phasing out of problematic (destructive and/or exceeding capacity) fisheries.
39. Participatory consultation meetings were also held with local communities to:
- i) Document and describe key biodiversity values, threats and user conflicts using Local Knowledge Mapping;
  - ii) Problem identification and threats analysis using facilitated discussions and brainstorming methods;
  - iii) Clarification around rationale, objectives, benefits and characteristics of LMMA establishment.
40. The PCU/Bank team has prepared a summary report including recommendations for each site. Draft guidelines for establishing and implementing LMMA under CRSD have also been developed which will be used as training materials for the PPMUs. These documents are being translated and will be forwarded to the PPMUs soon.
41. **Agreed Actions:** It was agreed that:
- PCU would use the guidelines for establishing and implementing LMMA developed by the Bank Specialist to conduct training for PPMUs in August 2014.
  - PPMUs with technical assistance from the PCU and consultants will conduct LMMA design and management planning for the three sites that have been preliminarily assessed in Khanh Hoa, Phu Yen, and Binh Dinh. These sites will receive additional resources from the GEF funds (i.e. around US\$500,000 per site in implementation). Draft LMMA management plans will be prepared and available for review by December 31, 2014.
  - PCU would conduct initial assessments for potential LMMA sites in the remaining provinces (Ca Mau, Soc Trang, Nghe An, Thanh Hoa, and Ha Tinh) by January 31, 2015.
42. **Impact Evaluation (IE):** Recruitment of the consulting services for the baseline survey has been completed and the field work has started. An IE workshop was organized by the PCU during this ISM and it was facilitated by the DIME team with participation of all PPMUs. The design for the IE was finalized to measure the impact on the co-management pilots. It was agreed that there would be two factors to be tested: (a) the government's surveillance intensity and (b) the incentive level for the local community partner and each factor would have two treatments: (i) normal level and (ii) high level. Detailed design including the draft randomization plan is presented in Annex 5.
43. **Agreed Actions:** It was agreed that:

- PPMUs would provide updated lists of owners of boats under 20CV by August 15, 2014 for the purpose of sampling for the baseline survey. This needs to happen very quickly, as the field work cannot start without a sampling frame.
- PCU would monitor and ensure that field interviews of the baseline survey will be completed by September 30, 2014.
- PPMUs would identify village facilitators for 50 selected fishing communes which will be implemented in the next batch. Training for VFs should be conducted and completed by October 31, 2014 so that preparation of co-management plans could start and finish in two months of November-December 2014. Apart from the training for the VFs, no other activities would be conducted in the 50 selected fishing communes until all field interviews of the baseline survey have been completed.

## V. FIDUCIARY AND SAFEGUARDS

44. **Procurement.** In general, procurement implementation under the project has been improved substantially. The project implementing agencies (PIAs) including the PCU and 8 PPMUs have made significant progress in implementing major procurement packages since the last mission: most goods and consulting services packages under PPMUs have been completed; many civil works contracts have been signed and are being executed. Procurement capacity of the PIAs has also been strengthened through adequate staffing and additional training. The procurement performance of the PIAs is considered to be 'satisfactory'.

45. **Contract management:** Many civil works contracts are being executed. The mission had the following recommendations:

- Payment to the contractors should be made in a timely manner and in accordance with the contract provisions and conditions and commensurate with the quantities that have been completed.
- Price adjustment, if applicable under the contract, should be properly taken into account for each payment to the contractor.
- The PPMUs should adequately mobilize the construction supervision consultant and its own supervision staff to ensure the quality of the executed works meeting the required standards.
- Contract modifications including time extension and variation orders should be carried out in accordance with the procedures set forth in the signed contract.
- The PPMU should require the contractors to update the construction schedule frequently and any delay should be handled in accordance with the relevant provisions and conditions of the contract.
- Performance security and advance payment security should be made and monitored properly.

46. **Collusion issues:** A number of possible cases of collusion have been found during the Bank's post reviews (i.e. for Contracts #05-XL/CRSD-NA and 09-XL/CRSD-NA in Nghe An, some bids are unusually similar in many parts). At request by the Bank, Nghe An's Inspectorate had investigated those cases. Despite the Inspectorate's report was

inconclusive of collusion, this has caused delay in implementation. The mission suggested the PIAs be more proactive in dealing with suspected collusions during bid evaluation to minimize its negative impact on contract implementation.

47. **Procurement plan update:** It was agreed that the PIAs would update their procurement plans as frequently as possible (i.e. monthly or quarterly) to reflect the status of all packages and to add new packages to be procured in the next 12 month period.

48. **Financial Management (FM):** As part of the mission, the Bank FM team has visited the PCU, Khanh Hoa and Phu Yen PPMUs to review the current FM arrangements and to follow up on the implementation status of the previous mission's recommendations. In general, the FM performance is considered to be 'Moderately Satisfactory' with a significant increase in disbursement. The interim financial reports (IFRs) have been timely submitted to the Bank with improved quality.

49. **Recommendations:** Below are the FM issues that require attention of the PCU and PPMUs. More details are presented in Annex 6.

- PCU and PPMUs should pay more attention to disbursement of GEF funds.
- PCU should provide instructions for all PPMUs in Project financial reporting following generally accepted accounting standards.
- PCU should accelerate selection process of financial audit contract so that the submission of the first Project audited reports to the Bank will not be further delay.
- PCU should accelerate selection process of internal audit packages so that the internal audit activities can be carried out as planned.
- PCU should use the computerized accounting system to prepare consolidated financial reports on a quarterly basis; identify and rectify misstatements in the accounting software at the provincial level to timely support to provinces.
- PCU should provide instructions and formats of a contract management system which has been provided by the Bank in the last mission to all PPMUs for timely contract management. Besides, contract management at all levels should be further enhanced, especially on the MOU mechanism and consultancy contracts.
- Internal control procedures such as cash, bank and advance shall be regularly performed following the Project FM guidance.
- Expenditures related to guest entertainment (i.e. meals and others) are not eligible for IDA financing.

### **Social Safeguards**

50. During this, the mission reviewed progress and compliance of the EMDPs/RAPs implementation and continued providing social development support (non-safeguards) related to the establishment and operations of fisheries co-management schemes across project provinces.

51. **Ethnic minority development (OP 4.10):** Two EMDPs prepared by Soc Trang PPMU for Vinh Tan commune (Vinh Chau district) and Tran De Township have been reviewed and given no objection by the Bank. These areas have large proportions of

Khmer and Hoa ethnic minorities. The EMDPs have been disclosed at the community level. Implementation will start soon and the plans will be updated annually to reflect the changes in implementation.

52. **Involuntary resettlement** (OP 4.12): With the nature of the subprojects, which is rehabilitation of fishing ports, landing sites, and upgrades of aquaculture farms, only minor land acquisition is required in some cases. A general approach advised by the Bank is to avoid acquisition of land, where possible, by exploring alternatives that are technically sound while at the same time being able to help minimize the adverse impact to local people. During the past six months, all RAPs have been prepared in accordance to the Project's Resettlement Policy Framework and they have been reviewed by Bank before implementation. Implementation of RAPs (having received Bank's no objection) is underway and in full compliance with the approved plans.

53. **Fisheries Co-Management Schemes** (FCS). Establishment of FCS for sustainable management of near-shore capture fisheries is expected to contribute to achieving the project objective. However, some negative impacts on a few groups of local people in the short term might not be fully assessed and addressed in the approved CMP. It was agreed that the Bank would provide guidance to the PPMUs for conducting a quick social analysis (SA) of the potentially affected groups under the FCS to help prepare and implement a mitigation plan. In addition to the budget allocated for implementing the CMP, additional resources from the project will be provided for implementing the mitigation plan based on the results from the SA. The Bank has provided Thanh Hoa PPMU a sample TOR for a quick SA, which can be shared with other PPMUs.

54. **Gender mainstreaming:** Since gender equality is a very important factor that significantly contributes to success of fisheries co-management schemes, PPMUs have been guided to include gender consultations to develop a gender development plan to proactively bring benefits to women in the fishing community when fisheries co-management plans are prepared. In addition, the SA of the affected groups under the FCS would ensure that all potential negative impacts on women will be fully addressed.

### **Environmental safeguards**

55. During the ISM, the mission discussed with the PCU and PPMUs to review the environmental safeguards compliance and conducted site visits to Khanh Hoa and Phu Yen provinces. Key findings and recommendations are summarized below.

56. **Staffing and training:** Recruitment of an environmental safeguard coordinator to assist the PCU in monitoring and evaluation of the project environmental safeguard compliance is underway. The mission suggested that (i) PCU accelerate the recruitment process to mobilize this consultant by August 31, 2014; and (ii) further training on environmental monitoring be provided to the PPMU environmental safeguards staff.

57. **EPC preparation and disclosure:** All infrastructure subprojects identified under various components have been reviewed through an environmental screening and an environmental protection commitment report (EPC) has been prepared for each scheme and cleared with the Bank environmental specialist before proceeding to implementation. So far, 60 schemes have had their EPC reports reviewed by the Bank. These EPC reports are consistent with the Bank's environmental safeguards and the national laws. The mission suggested that the PCU liaise with the PPMUs to ensure all of the approved EPCs have been disclosed at the subproject sites accessible to locally-affected people in line with the Bank's disclosure policy.

58. **Environmental monitoring:** According to the PCU's progress report, the monitoring program of water quality has been executed by DONRE in 7 out of 8 project provinces except Khanh Hoa. A total 748 water samples have been tested. However, the report did not indicate the numbers of water samples as well as the results at the water intake and discharged sites. The report also did not present an assessment of the project environmental compliance for the civil works that are under construction.

59. **Agreed Actions:** It was agreed that:

- PCU would revise the report taking into account the above comments.
- To monitor water quality at the GAP zones, PPMUs would monitor the number of farms that have effluents meeting the required national standards.
- PCU would prepare semi-annual environmental monitoring reports for submission to the Bank prior to ISMs based on PPMUs' quarter monitoring reports. The monitoring reports should focus on evaluation of (i) compliance with agreed measures, and (ii) changes in ambient environmental quality due to project/subproject activities.

## **VI. NEXT STEPS**

60. The next ISM is scheduled for January 2015. There will be interim missions in October/November to provide further guidance to the PPMUs.

## **VII. ANNEXES**

**Annex 1: Implementation of Agreed Action Plan for period ending April 30, 2104**

**Annex 2: Agreed Action Plan for the period ending January 31, 2015**

**Annex 3: Implementation Progress of GAP and Diversification Zones by June 2014**

**Annex 4: Guiding for Self-Assessments of Shrimp Hatcheries**

**Annex 5: Randomization Plan for Impact Evaluation of Fisheries Co-management**

**Annex 6: Financial Management Review**

**Annex 1: Implementation of Agreed Action Plan for period ending April 30, 2014**

No.	Task	Responsibility	Agreed Dates	Status
1	<b><u>General</u></b> <ul style="list-style-type: none"> <li>Accelerate recruitment of the TA package for supporting project management at central level.</li> <li>Complete recruitment of local consultants under all components to assist PPMUs in implementation.</li> </ul>	PCU PPMUs	Mar 31, 14 Feb 28, 14	Cancelled, started over Completed
2	<b><u>Component A</u></b> <ul style="list-style-type: none"> <li>Prepare work plans for the ISP pilot districts and submit them to the Bank for review.</li> <li>Complete recruitment of a consulting firm for Vnfishbase upgrade.</li> <li>Implement the two research proposals that have received no objection from Bank.</li> </ul>	PPMUs PCU PCU/DOF	Dec 31, 13 May 31, 14 Immediately	Completed Delayed Delayed
3	<b><u>Component B</u></b> <ul style="list-style-type: none"> <li>Finalize equipment lists for strengthening capacity of provincial veterinary, extension office, DONREs.</li> <li>Work with RIA1 to develop investment proposal for Cat Ba area; assist RIA 2 and 3 and send procurement plans to Bank for review.</li> <li>Develop plans for monitoring quality of shrimp seed in the provinces; initiate biosecurity assessments for shrimp hatcheries located in their provinces.</li> <li>Complete additional consultations with potential private sector investors on the layout for Ninh Van SPF area.</li> </ul>	PCU/DOF PCU/DOF PPMUs Khanh Hoa /PCU	Feb 28, 14 Mar 31, 14 Apr. 30, 14 Jan 31, 14 Apr. 30, 14 Dec 31, 13	Completed Completed Delayed Completed
4	<b><u>Component C</u></b> <ul style="list-style-type: none"> <li>Provide training on PRA for commune facilitators</li> <li>Complete draft co-management plans for pilot communes.</li> <li>Implement the approved MCS plans.</li> </ul>	PPMUs PPMUs PPMUs	Jan 31, 14 Mar 31, 14 Immediately	Completed Completed Partially
5	<b><u>Component D</u></b> <ul style="list-style-type: none"> <li>Contract programmer(s) to develop project MIS based on the design developed by the FAO expert.</li> <li>Improving performance of Ca Mau, Ha Tinh, and Khanh Hoa.</li> </ul>	PCU PCU/PPMUs	Mar 31, 14 Immediately	Delayed Partially
6	<b><u>GEF</u></b> <ul style="list-style-type: none"> <li>Prepare and submit applications to withdraw GEF funds and reimburse eligible expenditures.</li> </ul>	PCU/PPMUs	Immediately	Completed
7	<b><u>Impact Evaluation</u></b> <ul style="list-style-type: none"> <li>Complete the baseline surveys for IE.</li> </ul>	PCU/Con. firm	May 31, 14	Delayed
8	<b><u>Procurement and Financial Management</u></b> Implement recommendations in paras # 43&45.	PCU/PPMUs	Immediately	Completed

## Annex 2- Agreed Action Plan for the period ending January 31, 2015

No	Task	Responsibility	Agreed Dates
1	<p><b><u>Component A:</u></b></p> <ul style="list-style-type: none"> <li>• ISP training for all coastal districts and at least 50% of coastal communes in project provinces.</li> <li>• Identifying the overlap/conflict areas among sectors.</li> <li>• Strengthen ISP teams, adding relevant missing members.</li> <li>• Start and complete recruiting consulting services for SEA.</li> <li>• Mobilize consultant for Vnfishbase upgrade.</li> <li>• Initial training for staff at DECAFIREP and IC.</li> <li>• Develop 10 TORs; at least two contracts awarded.</li> </ul>	<p>PCU TA/PPMUs</p> <p>PCU TA/PPMUs PCU/Provinces PCU PCU/DOF PCU/DOF PCU/DOF</p>	<p>Dec 31, 14</p> <p>Dec 31, 14 Dec 31, 14 Aug-Dec, 14 Sep 30, 14 Oct 2014 Sep-Dec, 14</p>
2	<p><b><u>Component B:</u></b></p> <ul style="list-style-type: none"> <li>• Hire a consultant to develop a communication program.</li> <li>• Complete recruitment of the Biofloc Technology consultant.</li> <li>• Support Soc Trang; review GAP program Binh Dinh, Khanh Hoa, Phu Yen, Ha Tinh, Nghe An, and Ca Mau.</li> <li>• Work with the DAH to develop a detailed program for strengthening disease monitoring and control.</li> <li>• One equipment contract for RIAs awarded.</li> <li>• Complete technical design for Ninh Van SPF hatchery area.</li> <li>• Biosecurity assessments for shrimp hatcheries.</li> <li>• Consolidate the results of DONRE's water quality monitoring reports send them to the Bank.</li> <li>• Complete procurement of equipment for DONREs.</li> </ul>	<p>PCU PCU PCU TA/PPMUs</p> <p>PCU/DAH</p> <p>PCU/RIAs Khanh Hoa PPMUs</p> <p>PCU/PPMUs</p> <p>PCU</p>	<p>Oct 31, 2014 Sep 30, 14 Oct 31, 2014</p> <p>Oct 31, 2014</p> <p>Oct 31, 2014 Nov 30, 2014 Dec 31, 2014 Jan 31, 2015</p> <p>Dec 31, 2014</p>
3	<p><b><u>Component C:</u></b></p> <ul style="list-style-type: none"> <li>• Khanh Hoa complete draft CMPs for the pilot communes</li> <li>• Identify and training for village facilitators (VFs) for 50 selected fishing communes.</li> <li>• Accelerate upgrades of MCS field stations.</li> </ul>	<p>PPMUs PPMUs</p> <p>PPMUs</p>	<p>Aug 15, 14 Oct 31, 2014</p> <p>Mar 31, 14</p>
4	<p><b><u>Component D</u></b></p> <ul style="list-style-type: none"> <li>• Complete and mobilize CTA.</li> <li>• Complete and mobilize the MIS consultant.</li> <li>• Organize an M&amp;E training workshop</li> </ul>	<p>PCU PCU PCU/PPMUs</p>	<p>Oct 31, 2014 Oct 31, 2014 August 14</p>
5	<p><b><u>GEF</u></b></p> <ul style="list-style-type: none"> <li>• Conduct training on LMMA guidelines.</li> <li>• Conduct LMMA design and management planning for the three first sites in Khanh Hoa, Phu Yen, and Binh Dinh.</li> <li>• Conduct initial assessments for potential LMMA sites in the remaining provinces.</li> </ul>	<p>PCU/PPMUs PCU/PPMUs</p> <p>PCU/PPMUs</p>	<p>August 14 Dec 31, 2014</p> <p>Jan 31, 2015</p>
6	<p><b><u>Impact Evaluation</u></b></p> <ul style="list-style-type: none"> <li>• Complete field interviews of the baseline survey.</li> </ul>	<p>PCU/Con. firm</p>	<p>Sep 3, 14</p>
7	<p><b><u>Fiduciary and safeguards</u></b></p> <p>Implement recommendations in paras: # 45, 46, 49, and 59.</p>	<p>PCU/PPMUs</p>	<p>Immediately</p>



**Annex 3 – Implementation Progress of GAP/ Diversification Zones by June 2014**

Province	GAP			Diversification			Training (course)	Participants (people)
	# zones	Area (ha)	Demonstration (site)	# zones	Area (ha)	Demonstration (site)		
Thanh Hoa	6	643	8	2	230	24	43	1795
Nghe An	6	184.5	9	2	67	6	20	608
Ha Tinh	5	166	5	4	100	6	6	227
Binh Dinh	2	43.57	2.00	2	48.43	1.00	39	1,397.00
Phu Yen	2	120.00	4	2	70.00	6	13	363
Khanh Hoa	2	83.60	5	2	150.00	10	16	651
Soc Trang	2	8,584	16	2	879	25	26	907
Ca Mau	2	314.428	10	1	363.04	28	28	1156
<b>Total</b>	<b>27</b>	<b>10,139</b>	<b>59</b>	<b>17</b>	<b>1,907</b>	<b>106</b>	<b>191</b>	<b>7104</b>

### Annex 4: Guiding for Self- Assessment of Shrimp Hatcheries

Hatchery Name:  
Shrimp species:

Location:  
Production Capacity (Monthly):

Biosecurity	1	2	3	4	5	Ave	Remarks
<b>1.DESIGN &amp; CONSTRUCTION</b>							
<b>Modular System</b>							Module with smooth operation flow with separate units with storage facilities
<b>Seawater source quality</b>							Clear 100 % Seawater (Nha Trang SW)/ high suspended sediments with low salinity at Ca Mau (muddy)
<b>Seawater treatment system</b>							Gravity sand filter/Pressure filter/ Active Carbon/ Oz or UV or Chlorine
<b>Waste water treatment System</b>							2 or 3 phase system or not use
<b>Routine maintenance applied</b>							Dry-outs, cleaning, repairing & repainting with epoxy paint applied.
<b>Routine Sanitation system applied</b>							Foot bath and hand wash at facility entrance. Buckets, scoop nets for individual tanks used.
<b>TOTAL</b>							
<b>2. BIOLOGY</b>							
<b>SPF broodstock/Clean Broodstock</b>							Satisfied SPF Broodstock/ Re-check for SPF/ clean wild stock
<b>Feed for SPF Broodstock</b>							Use SPF red worms, etc or clean and treat the fresh feed before use
<b>SPF Nauplii /SPF Post Larvae</b>							Satisfied from SPF Hatchery/ Re-check for SPF/ Clean wild stock
<b>Post Larvae QA check</b>							Need to check good quality PLs
<b>TOTAL</b>							
<b>3. SUPPORT FACILITIES</b>							
<b>Laboratory</b>							Simple laboratory for basic analysis
<b>Algae culture</b>							For good quality algae for larvae
<b>Artemia Culture</b>							For good quality feed for PLs
<b>Storage facilities</b>							Enough space with freezers for live feed
<b>TOTAL</b>							
<b>4. PERSONAL CONTROL</b>							
<b>Technical Staff</b>							Only technical staff will have access to culture facilities with strict biosecurity protocol control.
<b>Visitors</b>							Visitors are required background check for bio-security issues before allowed to visit and need to be accompanied by responsible technicians. Only allowed to look and no touching
<b>TOTAL</b>							
<b>GRAND TOTAL</b>							

**NOTE: Point 1 = lowest: 5 = Highest (Nyan Taw FAO Consultant, FAO)**

## Annex 5: Randomization Plan for Impact Evaluation of Fisheries Co-management

**1. From 2013 to Aug 2014:** The First batch of 15 pilot communes. These will not participate in the IE.

**2. From Oct 2014 to 2016:** The second batch will consist of 50 communes. Preparation of co-management plans for these communes will start in October 2014 after the baseline survey and training of village facilitators have been completed.

NS + NI (GREY GROUP )	HS+NI (GREEN GROUP)
NS+HI (BLUE GROUP)	HS+HI (RED GROUP)

**Group 1:** NS + NI (GREY): Existing government surveillance (to be identified based on the baseline, i.e. human resources, facilities and financial resources, frequencies) & community surveillance according to the approved co-management plan.

**Group 2:** HS + NI (GREEN): high government surveillance (to be defined based on the agreed discussions, i.e. human resources, facilities and financial resources, frequencies, i.e. x 2 or 3 times) & community surveillance according to the approved co-management plan

**Group 3:** NS+ HI (BLUE): Existing government surveillance (to be identified based on the baseline, i.e. human resources, facilities and financial resources, frequencies) & community surveillance according the approved co-management plan plus with awards through additional investment for public infrastructure if co-management has been successful and effective.

**Group 4:** HS+ HI (RED): high government surveillance (to be defined based on the agreed discussions, i.e. human resources, facilities and financial resources, frequencies, i.e. x 2 or 3 times) community surveillance according the approved co-management plan plus with awards through additional investment for public infrastructure if co-management has been successful and effective.

Table of 50 communes to be implemented in the second half of 2014

<p><b><u>GREY GROUP</u></b>  CM= Việt Khải, Phú Tân  ST = Nhóm 5  BD = Hoài Mỹ, Mỹ Thọ  PY = Phường Xuân Đài, Phường Xuân Thành  KH = Vạn Thạnh, Ninh Phú  TH = Quảng Cư  NA = Nghi Tiến, Diễn Kim, Quỳnh Long  HT = Nhóm xã số 9</p>	<p><b><u>GREEN GROUP</u></b>  CM= Tam Giang Đông  ST = None  BD = Cát Khánh, Phước Sơn  PY = Xuân Hải, Xuân Cảnh  KH = Ninh Phước, Ninh Lộc  TH = Quảng Nham  NA = Diễn Thịnh  HT = Nhóm xã số 11, Nhóm xã số 17</p>
<p><b><u>BLUE GROUP</u></b>  CM= Khánh Tiến  ST = Nhóm 4  BD = Cát Hải, Mỹ Thành  PY = An Hải, An Ninh Đông  KH = Ninh Hải, Ninh Giang  TH = Hải Thanh  NA = Diễn Hải  HT = Nhóm xã số 1, Nhóm xã số 14</p>	<p><b><u>RED GROUP</u></b>  CM= Cái Đôi Vàm  ST = Nhóm 1  BD = Cát Tiến, Mỹ Chánh  PY = Xuân Phương, Xuân Hòa  KH = Vĩnh Lương, Ninh Hà  TH = Đa Lộc  NA = Tiến Thủy  HT = Nhóm xã số 13, Nhóm xã số 6</p>

**3. From 2015-2017: Communes to implement co-management in the next phase (short-term control)**

<p>CM = Nguyễn Huân, Khánh Bình Tây, Khánh Hội  ST = Nhóm 3  BD = Gành Ráng, Phước Hòa, Phước Thuận, Tam Quan Bắc, Cát Minh  PY = Hòa Hiệp Nam, Xuân Thịnh  KH = Ninh Vân, Ninh Thủy  TH = Ngư Lộc, Hoằng Phụ, Nga Tiến, Quảng Thái  NA = Nghi Thiết, Diễn Trung  HT = Nhóm xã số 8</p>
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**4. Control communes (Xã đối chứng)**

<p>CM = Khánh Hải, Lâm Hải, Tân Hải, Phong Điền, Tân Ân, Tân Thuận  ST = (không có xã đối chứng)  BD = Hải Cảng, Phước Thắng, Mỹ Đức, Mỹ An, Mỹ Thắng, Cát Thành, Hoài Hải, Nhơn Châu  PY = An Ninh Tây, An Mỹ, Hòa Hiệp Trung, Hòa Tâm, Xuân Yên, Xuân Phú, Hòa Xuân Nam, An Phú  KH = Ninh Thọ, Đại Lãnh, Vạn Lương, Cam Phúc Bắc, Cam Bình, Cam Nghĩa, Cam Hải Tây, Cam Hải Đông  TH = Hải Bình, Hoằng Thanh, Nga Bạch, Hải Lộc, Phường Trung Sơn  NA = An Hòa, Diễn Hùng, Diễn Ngọc, Nghi Quang, phường Nghi Tân  HT = Nhóm xã số 2, số 5, số 10, số 7, số 12, số 18, số 19</p>
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## **Annex 6: Financial Management Review**

### **PCU**

The mission appreciated the efforts of the PCU in implementing the recommendations raised in the previous mission in November 2014 such as regular preparation of financial reports, key reconciliations with bank, cash and payable balances. Below are the key areas that need further improvement.

- At the time of review, only PCU managed to withdraw USD 100,000 from GEF grants for project activities and Khanh Hoa is the only PPMU preparing the WA process for the GEF grants. The mission reminded the PCU to work with PPMUs to quickly withdraw GEF fund for project activities.
- Repeating from the previous mission, the mission requested the PCU to carefully review quarterly financial reports and instruct all PPMUs on financial reporting where income shall be recorded when actually received and expenditure shall be recorded when incurred rather than awaiting for expenditure verification from State Treasury. The Project financial reports of PCU/PPMUs in FY2013 and FY 2014 then should be revised accordingly.
- It is noted that PCU is still in progress of selecting the auditor at the very first step (sending information to potential external audit firms) up to the mission date (June 25, 2014). Given that the deadline for submission of the audited financial statements is approaching (June 30, 2014), it is difficult for the PCU and its auditor to submit the audited financial statements as scheduled in the Financing Agreement. The mission requested that the PCU accelerate the selection process so that the submission of the first Project audited reports to the Bank will not be too much delayed.
- PCU should accelerate selection of the internal audit contract so that internal audit team can be built up capacity and internal audit activities can be carried out as planned.
- During the mission, it is noted that the consolidated financial data in the accounting system is not available at the PCU. It was explained that PCU would like to wait for completion of the external audit and provincial audited financial figures are submitted to the PCU. At the time of review, the excel form collected from provinces is used for interim financial reporting purpose. This practice is not recommended since the PCU is responsible for preparing Project consolidated financial statement, not auditor and it will restrict the PCU from taking advantage of the computerized accounting system and regularly monitoring the financial information from provinces. Therefore, PCU is requested to use the computerized accounting system to prepare consolidated financial reports on quarterly basis; identify and rectify the misstatements in the accounting software so that support to provinces can be done in a timely manner.
- PCU is requested to accelerate the payment process. In contract no. PR. 11/DEE/PCU signed with Tai Nguyen Manufacturing and Trading Limited Company for purchase of office equipment, the finalization minutes was made on April 15, 2014 but the payment was at the middle of June 2014, approximately 60 days later due to the slow internal process of documents.

- A comprehensive contract management file was maintained but some key areas still need to be improved. For lump sum consultancy contract no. CS 01/ISP/PCU with Mr. Jonathan McCue, the timesheet should be obtained and filed in the payment documents as required in the contract. In the contract CS. 08/MCS/PCU with Mr. Tuong Phi Lai, the timesheet should include specific details (such as work description for each day, specific outputs) not only to facilitate payment processing but also for resource management. For any incurred expenditure which was excluded from the list of reimbursable expenses, additional approval should be obtained to use the provision fund for this type of expenditure to comply with the terms in the consultancy contract.
- It was noted outstanding advance has been lately cleared (such as procurement training course on May 15 but was still outstanding at the time of review). Repeated from previous mission, PCU is requested to enhance the control over the advance account to ensure the timely settlement within the time limit of 30 days, as stipulated by accounting regulations.

### **Khanh Hoa**

The FM arrangement at Khanh Hoa PPMU is generally adequate. There are three FM staff including one chief accountant. The financial reports have been prepared and generated from the Project accounting software. The counterpart funds have been timely and sufficiently allocated to the Project. Nevertheless, sub-projects disbursement is quite behind schedule. Major accumulated Project expenses are only IOC and small consulting services while major contracts have not been awarded or just signed during the review. It is expected that the disbursement process will be accelerated in later of the year. There are some FM recommendations as follows:

- Internal control procedures such as cash count minutes, bank reconciliation, payable/receivable reconciliation shall be performed on regular basis as regulated in the Project FM manual;
- An outstanding advance of about VND 90 mil still has not been cleared since May 2014. The PPMU shall clear this advance as soon as possible;
- A contract management system shall be maintained where all contracts implementation and disbursement are closely monitored. Regarding the MOU mechanism, the mission recommended that progress payments will be based on progress activities rather than a fixed payment percentage as a lump sum contract. This will enable MOU activities are efficiently managed following the actual implementation status.
- PIT of trainers carrying out MOU activities shall be deducted before finalization with PPMU.

### **Phu Yen**

The FM arrangement at Phu Yen PPMU in general is inadequate. There are only two accounting staff including one chief accountant. While the chief accountant is very busy with other tasks of DARD and he is also the chief accountant of a Rural Development Project of ADB, the other accountant has just been recruited in early 2014 and he has little accounting background. In addition, the accounting software is not updated and checked since March 2014 and internal control procedures are not performed, petty cash limit is still high. The mission also noted some IOC ineligible expenditures such as

guest entertainment, office running costs covering not only for the PPMU but also for the DARD. Though counterpart funds have been sufficiently allocated to the project, the disbursement is quite behind schedule. There are some FM recommendations as follows:

- Allocated GEF funds (with ceiling USD 100,000 bank account) still has not yet been withdrawn for Project activities;
- Additional accounting staff with adequate background and experience to be urgently recruited to strengthen the Project accounting unit;
- Internal control procedures such as cash count minutes, bank reconciliation, payable/receivable reconciliation; advance clearance shall be performed on a regular basis as regulated in the Project FM manual. Petty cash balance shall be reduced to a reasonable limit;
- A contract management system shall be maintained where all contracts implementation and disbursement are closely monitored. With regard to the MOU mechanism, the mission recommended that progress payments are based on progress activities rather than a fixed payment percentage as a lump sum contract. This will enable MOU activities are efficiently managed following the actual implementation status.
- PIT of trainers carrying out MOU activities and PIT of all consultants shall be deducted before payments are made;
- An amount of about VND 13 million has been used to pay for unbudgeted lunch. At request of the mission, the PPMU informed that they had used their counterpart funds to refund it to the IDA Account. The mission reminded the PPMU to pay attend to this issue and not let it happen again in the future.