



Viet Nam Resident Mission

Asian Development Bank

12 June 2018

Mr. Luu Quang Khanh
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Ministry of Planning and Investment
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2018 Tripartite Portfolio Review Mission – Aide Memoire

Dear Mr. Khanh:

Thank you for the Ministry of Planning and Investment's (MPI) support and leadership in conducting the first 2018 Tripartite Portfolio Review Mission. We appreciate the efforts of MPI and all other government agencies to improve the effectiveness and efficiency of projects financed by the Asian Development Bank (ADB).

Enclosed is the final Aide Memoire, which documents the mission's substantive discussions and action plan to restructure and/or extend projects and cancel surplus loan proceeds. As agreed, ADB will work closely with MPI and other government agencies to ensure the action plan is implemented, including timely cancellation of about \$50 million in surplus concessional loan proceeds, so this amount may be reallocated to Viet Nam projects that are scheduled for approval in 2018.

We also look forward to jointly implementing other agreed actions and developing the program for the next Tripartite Portfolio Review, to be held in September 2018.

Sincerely,

Eric Sidgwick
Country Director
Viet Nam Resident Mission

cc: Mr. Le Hong Lam, Director General, International Cooperation Department, Office of the Government
Mr. Truong Hung Long, Director General, Department of Debt Management and External Finance, Ministry of Finance
Mr. To Huy Vu, Director General, International Cooperation Department, State Bank of Viet Nam
Mr. Le Viet Anh, Deputy Director General, Foreign Economic Relations Department, Ministry of Planning and Investment

VIET NAM 2018 TRIPARTITE PORTFOLIO REVIEW MISSION

11–12 April 2018

AIDE MEMOIRE

I. INTRODUCTION

1. In reference to directive 13404/VPCP-QHQT issued by Deputy Prime Minister Pham Binh Minh on 15 December 2017¹ and the 2017 Tripartite Portfolio Review Mission (TPRM) Memorandum of Understanding between the Ministry of Planning and Investment (MPI) and Asian Development Bank (ADB), the first 2018 TPRM was jointly organized in Hanoi by MPI's Foreign Economic Relations Department (FERD) and ADB on 11–12 April 2018.² Viet Nam's Official Development Assistance (ODA) oversight agencies including MPI, the Ministry of Finance (MOF), State Bank of Viet Nam (SBV), officials representing project executing and implementing agencies, and ADB staff actively participated. This is the first of two TPRMs scheduled for this year; the second will be held in September 2018, following Viet Nam's National ODA Steering Committee meeting proposed in mid-2018.

2. The TPRM's main objectives are to improve the effectiveness and efficiency of the ADB-financed portfolio in Viet Nam by working with ODA oversight agencies and project executing/implementing agencies to address systemic issues that impede portfolio performance.³ Working toward these objectives, TPRM consultations focused on (i) evaluating executing and implementing agency proposals to restructure and/or extend projects; (ii) identifying surplus loan proceeds that could be proposed for cancellation by the Government and/or ADB in 2018; and (iii) actions to enable the ADB-financed portfolio to meet its 2018 contract awards and disbursement targets.

3. Tripartite consultations also followed-up on several other issues, including agreed actions from the previous TPRM, held in August 2017: (i) annual ODA budget allocation in 2018 for projects with on-granting arrangements; (ii) 4 loan/subsidiary loan agreement signings, (iii) inclusion of 5 approved projects in the Government's medium-term investment plan; (iv) approval of the 2018 disbursement plan for grant-financed projects; and (v) arrangements to finance non-physical investments under loan agreements signed before the State Budget Law (2015) and Circular 324/2016/TT-BTC (December 2016) were promulgated.

4. Attachments 1–3 contain the TPRM list of officials met, program, and background paper that was shared with all participating agencies before in-depth sector and project-specific consultations on 11–12 April 2018.

¹ Requesting MPI to review Viet Nam's ODA portfolio and assess the need to restructure and/or extend projects and cancel unproductive loans.

² The mission comprised Steven Schipani, Unit Head, Project Administration, VRM; Do Nhat Hoang, Senior Project Administration Officer, VRM; Le Thu Huong, Associate Project Analyst, VRM; and ADB sector division project administration unit heads, project mission leaders, and other ADB staff. Mr. Le Viet Anh, Deputy Director General, FERD and Norio Saito, Deputy Country Director, VRM co-chaired technical consultations and the wrap-up meeting. Mr. Luu Quang Khanh, Director General, FERD and Eric Sidgwick, Country Director, VRM, provided overall mission guidance.

³ Tripartite refers to (i) central oversight ministries such as MPI, MOF, and State Bank of Viet Nam; (ii) line ministries, government agencies, people's committees, and project executing and implementing agencies; and (iii) ADB.

5. This Aide Memoire has been jointly reviewed and concurred by MPI, participating project executing and implementing agencies, MOF, SBV, and ADB. Understandings reached and agreed actions are subject to approval of the higher authorities of the Government and ADB.

II. BACKGROUND

A. Portfolio Overview

6. As of March 2018, the ADB Viet Nam portfolio of 59 projects and programs was worth \$7.68 billion, including \$4.46 billion regular Ordinary Capital Resources (OCR) lending and \$2.87 billion concessional OCR (COL) lending. Since the previous TPRM in August 2017, the number of active projects decreased by 3 and the total portfolio value shrank by \$1.5 billion. This amount includes scheduled closures and \$276 million cancelled surplus loan proceeds in 2017. The uncontracted balance at the beginning of 2018 was \$2.31 billion and undisbursed balance \$3.77 billion (excluding program loans). The average loan age is 4.6 years and average loan amount \$111.37 million, reflecting ADB and Government guidance to process fewer but larger loans. Sector operations comprise transport (53.0%), water and urban (14.5%), agriculture and natural resources (10.6%), education and health (9.7%), energy (8.7%), public sector management (2.7%), and industry and trade (1.0%).

7. In 2017, contract awards totaled \$639 million, lower than ADB's \$878 million management target and 18% less than the 2017 TPRM agreed target of \$777 million. The contract awards ratio improved from 16% in 2016 to 26% in 2017, only marginally lower than the 27% ADB average.⁴ Disbursement totaled \$516 million in 2017, lower than ADB's \$970 million management target and 33% less than the 2017 TPRM agreed target of \$773 million. The disbursement ratio decreased from 13.8% in 2016 to 12.6% in 2017, much lower than the 21.9% ADB average.⁵

8. The TPRM emphasized delayed contract awards and slow disbursement undermine development effectiveness, increase commitment charges for regular OCR loans, and increase the risk of project cost overruns. In this context, MPI, other ODA oversight agencies, and ADB noted the TPRM is timely and stressed the importance of accelerating project implementation to deliver faster results, cancelling surplus loan proceeds to reduce unproductive public debt, and selective restructuring to strengthen underperforming projects or expand the benefits of those that are performing well.

B. 2018 Contract Awards and Disbursement

9. In January 2018, ADB and Government project teams jointly prepared this year's annual "bottom-up" contract awards estimates totaling \$377 million and annual disbursement estimates totaling \$588 million. Considering the age and composition of the portfolio, these estimates were increased slightly to "firm-likely" achievable targets of \$423 million for contract awards and \$641

⁴ In 2017, the contract awards ratio definition was updated from: *total contracts awarded during the year divided by the total value for contract awards available at the beginning of the year including newly approved projects (loans and grants) during the year, to contracts awarded or the actual commitment (for financial intermediation loans) during the year divided by the value available for contract or commitment awards at the beginning of the year.* The contract awards ratio was 20% in 2016 following the new definition.

⁵ In 2017, the disbursement ratio definition was updated from: *total disbursement during the year (including disbursement from newly approved operations during the year) divided by the undisbursed balance at the beginning of the year (based on approvals as of the previous year) to the total sovereign loan and grant disbursements in a given year divided by the undisbursed balance of effective/non-effective (signed) loans and grants at the beginning of that given year.* The disbursement ratio was 16.2% in 2016 following the new definition.

million for disbursement. In comparison, ADB management is targeting \$788 million contract awards and \$833 million disbursement. ADB management targets were set based on the expected ADB-wide contract awards ratio (29%) and disbursement ratio (22%) for 2018.

10. As of 31 March 2018, annual contract awards totaled \$52.1 million and disbursement \$62.9 million. This is equal to 97% of project team's bottom-up Q1 contract awards estimates and 77% of the Q1 disbursement estimate. Despite satisfactory Q1 2018 performance against project team estimates, the achievements were substantially lower than the Q1 ADB management targets for contract awards (\$110.8 million) and disbursement (\$111.0 million).

III. KEY ISSUES

A. Project-by-Project Review

11. The TPRM selected 14 projects for in-depth discussions, candidly evaluating restructuring (change project in scope), extension, and cancellation proposals following the criteria below.

- (i) **Restructuring.** The scope change (i) is minor according to ADB Project Administration Instructions (i.e. does not require ADB Board approval); (ii) it will strengthen the project's relevance, effectiveness, efficiency, or sustainability; (iii) it will not cause significant environment, involuntary resettlement, or indigenous people's safeguards impacts; (iv) is endorsed by executing/implementing agencies and all relevant ODA oversight agencies (e.g. the Investment Policy is approved by the Prime Minister) and ADB receives a timely proposal from Government; (v) includes activities that can be quickly included in the medium-term investment plan; and (vi) can be completed without extending the project closing date. Proposals that do not meet several of these criteria will be considered in exceptional circumstances only, with strong justification. Proposals to add a new subproject(s)/component(s) can be considered only if the current project scope is being implemented satisfactorily, with most or all major contracts already awarded.
- (ii) **Extension.** The proposed extension is necessary to enable the project to substantially achieve its outputs and outcome. SBV will send extension requests at least two months before the current loan/grant closing date. In principle, requests received after the current loan/grant closing date will not be accepted. A Multi-tranche Financing Facility will only be considered for extension beyond the 10-year availability period in exceptional circumstances.
- (iii) **Cancellation.** The project has achieved its planned outputs and outcome; or the entire project, or any of its components, is no longer viable. If proposals to use surplus loan proceeds do not meet restructuring criteria (above) the surplus should be cancelled.

B. Results and Time-Bound Action Plan

12. Table 1 summarizes the results of technical discussions, with a time-bound action plan for restructuring proposals, extensions, and potential cancellations as relevant to each project. Regarding standard approval times for restructuring (i.e. minor change of scope), extension, and cancellations, ADB confirmed it could approve these transactions within 2 months of receiving complete proposals and supporting documents from the authorized Government agencies.

Table 1: Agreed Time-Bound Action Plan

	Loan/ Grant No.	Project Name	EA	Current Closing Date	Agreed Action and by Whom	Date Due (2018)	Lead Agencies
1	2703/ 3317	Second Northern GMS Transport Network Improvement Project–AF	MOT	2703 31 Dec 2016 3317 30 Jun 2019	1a. 2703: SBV to send ADB request to cancel up to \$7.2 million. 1b. 3317: MOT to clarify rationale, additional investments, and obtain Government approval to use \$30 million surplus and send supporting documents to ADB. 1c. If use of \$30 million surplus not approved, SBV will send ADB request to cancel \$30 million. 1d. If use of \$30 million surplus approved, SBV will send ADB extension request to 30 Jun 2020 or 30 Jun 2021.	31 May 30 Jun 30 Jun 30 Jun	MOT, MPI, SBV MOT, MPI, MOF SBV MOT, MPI, SBV MOT, MPI, SBV
2	2730/ 3391	GMS Ben Luc-Long Thanh Expressway Project PFR 1 & 2	MOT, VEC	2730 30 Jun 2019 3391 30 Jun 2020	2a. 2730 VEC proposes to use \$20.4 million surplus to finance (i) toll plazas, (ii) service facilities, and (iii) RFID-type ITS equipment through minor restructuring. ADB agreed in principle with items (i) and (ii); but supports only if can be completed by current loan closing date and subject to confirmed compliance with ADB-accepted safeguards documents. ADB declined using ADB financing for RFID-type ITS equipment. Items (i) and (ii) to be proposed and concurred as variation orders to ongoing ADB-financed civil works packages. VEC and MOT will take necessary procedures to implement them. 2b. 2730: For \$23 million surplus, VEC will propose to ADB and relevant agencies to use it for additional items. If the proposal is not viable, SBV to send ADB request to cancel \$23 million. 2c. 3391: For \$103.4 million surplus, VEC will propose to ADB and relevant agencies to use it for additional items. If, the proposal is not viable SBV	31 May 31 May 31 May	MOT/VEC, MPI SBV MOT/VEC, MPI MOF SBV MOT/VEC, MPI MOF SBV

	Loan/ Grant No.	Project Name	EA	Current Closing Date	Agreed Action and by Whom	Date Due (2018)	Lead Agencies
					to send ADB request to cancel \$103.4 million. 2d. 3391 to extend to Dec 2020 only, within the maximum MFF availability period. SBV to send extension request to ADB.	31 May	MOT/VEC, MPI SBV
3	2988	GMS Southern Coastal Corridor Project–AF	MOT	30 Jun 2019	3a. SBV to send ADB request to cancel \$16.5 million (proposed for phase 2 detailed design and implementation support consulting services).	31 May	MOT, MPI, MOF SBV
4	3013 TA 7822	Central Mekong Delta Region Connectivity Project Central Mekong Delta Region Connectivity TA	MOT, Cuu Long CIPM	30 Jun 2020	4a. MPI and MOF to approve \$26.5 million additional ODA allocation needed for annual disbursement projection. 4b. MOT proposes to use part of \$116 million surplus (\$91 million) for connecting road and Long Xuyen bypass. Investment Policy is approved. MTIP inclusion and extension to 31 December 2022 needed. MOT and MPI to facilitate MTIP inclusion and SBV to send extension request to ADB. 4c. MOT to send ADB request to extend TA 7822 24 months (to 30 June 2020) to support supervision during defects liability period, utilizing \$4.8 million surplus TA funds.	30 Jun 30 Jun 15 May	MOT, Cuu Long CIPM, MPI, MOF MOT, Cuu Long CIPM, MPI, MOF SBV MOT, Cuu Long CIPM, MPI, ADB
5	2741/ 3363/ 3364	Ha Noi Metro Rail System Project (Line 3: Nhon-Ha Noi Station Section)	HPC	30 Jun 2018 31 Dec 2019	5a. 2741: MPI and MOF to approve additional ODA allocation for annual disbursement projection (amount to be confirmed). 5b. Site clearance and building assessment (above planned tunnels) needs to be completed. HPC to organize meeting with contractor and ADB to clarify works can commence in cleared areas. 5c. 2741: SBV to send ADB extension request to Dec 2022. Must be approved by end June 2018 to continue disbursing 5d. 3363/3364: SBV to send ADB extension	30 Jun 30 May 1 Jun 1 Jun	HPC, MPI, MOF SBV HPC, Hanoi MRB, ADB HPC, MPI, SBV HPC, MPI, SBV

	Loan/ Grant No.	Project Name	EA	Current Closing Date	Agreed Action and by Whom	Date Due (2018)	Lead Agencies
					request to 31 Dec 2022, to be processed together with 2741 extension.		
6	3235/ 8291	Strengthening Sustainable Urban Transport for Ha Noi Metro Line 3	HPC	30 Jun 2019	6a. 3235 HPC and ADB to review proposed scope changes during April 2018 review mission to enable finalization of Project Adjustment. 6b. 3235/8291: SBV to send ADB extension request to 31 December 2022, to be processed separately from 2741/3363/3364.	1 Jun 30 Sep	HPC, MPI, ADB HPC, MPI, SBV
7	3161/ 8286	Ha Noi and Ho Chi Minh City Power Grid Development Sector Project	Hanoi Power Corp (EVN Ha Noi) Ho Chi Minh City Power Corp (EVN HCMC)	31 Dec 2020	7a. Hanoi Power Corp proposes to use approximately \$18 – 20 million surplus for 9 additional subprojects. Ho Chi Minh Power Corp proposes to use up to \$50 million surplus for 5 additional subprojects. ADB supports both proposals in principle, subject to timely government approval of revised Investment Policy. MOF recommends cancelling the surplus. MOIT to decide next steps (process request to use surplus or cancel about \$70 million) and inform ADB as soon as possible. If government approves, ADB will support extension of the loan closing date, currently 31 December 2020, by 12-18 months to allow EVN HANOI and EVN HCMC sufficient time to implement the additional subprojects.	31 May	EAs, MOIT, MPI, MOF SBV, ADB
8	3374	Power Transmission Investment Program– Tranche 3	NPTC	30 Jun 2020	8a. MOF to urgently amend and sign subsidiary loan agreement, now involving Vietnam Development Bank. 8b. SBV to send ADB \$50 - \$60 million cancellation request after all remaining contracts awarded.	31 May 30 Nov	NPTC, MOF NPTC, MPI, SBV
9	2968	Low Carbon Agricultural Support Project	MARD	30 Jun 2019	9a. SBV to send ADB request to cancel \$30 million surplus loan	31 May	MARD, MPI, SBV

	Loan/ Grant No.	Project Name	EA	Current Closing Date	Agreed Action and by Whom	Date Due (2018)	Lead Agencies
					proceeds for component 2 (Credit Line). 9b. MARD to cancel any outstanding contracts not awarded by 30 June 2018. MARD's proposal to extend loan to 30 Jun 2020 to enable completion of ongoing contracts to be discussed during next project review mission. SBV to send extension request, if any, to ADB at least 6 months before closing date or ADB will close as scheduled. 9c. ADB to remove advance account ceiling for faster disbursement after processing all pending withdrawal applications.	31 Dec 30 Jun	MARD, MPI, SBV MARD, ADB
10	3173	Integrated Rural Development Sector Project in the Central Provinces–AF	MARD	30 Jun 2019	10a. MPI and MOF to approve 520 billion VND ODA budget reallocation under MTIP (as submitted by MARD to MPI on 8 March) to meet disbursement projection by the end of the project. 10b. ADB to remove advance account ceiling for faster disbursement. Note: MARD proposal to extend by 1 year not supported because the disbursement winding-up period can be extended beyond 4 months to process payment of eligible expenditures incurred before 30 Jun 2019.	31 May 31 May	MPI, MOF MARD, ADB
11	2750/ 2751	University of Science and Technology of Hanoi Development	VAST	30 Jun 2018	11a. MPI to send ADB Government's final decision on proposal to restructure and extend to 30 June 2023. Note: Above decision needed to confirm amount SBV will request to be cancelled and/or extension date.	30 May	MPI, OOG VAST
12	2920/ 8273	Public-Private Partnership Support Project	MPI	31 Jun 2019	12a. SBV to process extension to 31 Mar 2020 to enable more subprojects to use Project Development Facility and inform ADB. 12b. MPI will identify PPP projects for Batch 2 and	30 Jun 30 Jun	MPI, SBV MPI in coordination

	Loan/ Grant No.	Project Name	EA	Current Closing Date	Agreed Action and by Whom	Date Due (2018)	Lead Agencies
					develop an action plan to expedite PPP project selection and preparation during April 2018 midterm review. 12c. MPI will review progress in Q3 2018 and confirm amount SBV will request to be cancelled.	30 Sep	with Authorized State Agencies MPI, SBV
13	3044	Secondary Cities Development Project	Quang Nam PPC	31 Jul 2019	13a. ADB approved use of \$7.65 million for additional work in June 2017 and Quang Nam PPC obtained Government Investment Policy approval, agreeing to complete the works by 31 July 2019. For 2018, MPI to allocate additional 86 billion VND budget to Quang Nam for the new subproject to use the \$7.65 million.	30 Jun	MPI, Quang Nam PPC
			Ha Tinh PPC		13b. MPI to allocate additional 74 billion VND ODA allocation to the project's MTIP budget, including 50 billion 2018 allocation and 24 billion for 2019. 13c. MPI to reallocate the 21 billion VND allocated under 2017 budget but not disbursed (for 2019) 13d. Ha Tinh proposes to use 64 billion VND surplus for additional roadworks, to be completed by 31 Jul 2019. ADB issued no-objection to this proposal. MPI to coordinate Investment Policy consideration and send decision to ADB to approve contract variations.	30 Jun 31 Dec 30 Jun	MPI, Ha Tinh PPC MPI, Ha Tinh PPC MPI, Ha Tinh PPC
			Dak Lak PPC		13e. Dak Lak proposes to use \$1 million surplus for additional roadworks, to be completed by 31 Jul 2019. Dak Lak PMU to send ADB documents for due diligence.	31 May	Dak Lak PPC, MPI
14	2969	GMS Corridor Towns Development Project	Quang Tri PPC	30 Jun 2019	14a. Quang Tri proposes to use up to \$17.9 million surplus for additional "high readiness" subprojects with no reported Land Acquisition and Resettlement (LAR) impacts; and available	18 Jun	MPI, ADB

	Loan/ Grant No.	Project Name	EA	Current Closing Date	Agreed Action and by Whom	Date Due (2018)	Lead Agencies
					<p>safeguard due diligence reports and economic-financial analysis reports. MPI to send approved Investment Policy documents to ADB for consideration, facilitation and timely support for “high readiness” subprojects.</p> <p>14b. Quang Tri proposes to use up to \$8.6 million of ADB loan to finance LAR costs. While ADB has issued a letter supporting this, MOF does not. Government’s final decision on LAR financing urgently needed or works will be delayed. MPI to submit report to Prime Minister and inform ADB of decision.</p> <p>14c. PPCs and ADB to assess the duration of extension during the May 2018 midterm review (both provinces). Once agreed, SBV will submit extension request to ADB.</p> <p>Note: Additional subprojects, if approved by ADB, will be implemented with partial on-lending. MOF should assess provinces’ borrowing capacity before 30 June</p>	30 May	Quang Tri PPC, MPI, MOF
			Tay Ninh PPC		14d. Tay Ninh proposes to use up to \$12.9 million surplus for additional subprojects. MPI to send approved Investment Policy documents to ADB. ADB will evaluate the proposal to determine if subprojects can be supported.	30 May	Tay Ninh PPC, MPI, MOF

ADB = Asian Development Bank; AF = additional financing; CIPM = Corporation for Investment, Development and Project Management of Infrastructure; EA = executing agency; GMS = Greater Mekong Subregion; HPC = Ha Noi People’s Committee, IA = implementing agency; LAR = land acquisition and resettlement; MARD = Ministry of Agriculture and Rural Development; MOF = Ministry of Finance; MOIT = Ministry of Industry and Trade; MPI = Ministry of Planning and Investment; MRB = Metropolitan Railway Management Board; MTIP = medium-term investment plan; ODA = official development assistance; PMU = project management unit; PPC = Provincial People’s Committee; SBV = State Bank of Viet Nam; TA = technical assistance; VAST = Viet Nam Academy of Science and Technology; VND = Vietnamese Dong

13. **Surplus OCR and COL cancellations.** Approximately \$186.4 million surplus regular OCR could be cancelled in 2018. If the Ministry of Transport/Vietnam Expressway Corporation's proposals to use surplus OCR for Loans 2730/3391 are not viable, SBV will submit requests to cancel \$126.4 million by 31 May 2018. SBV also expects to request ADB to cancel \$50 – \$60 million in November 2018 (L3374). Regarding COL, the TPRM confirmed at least \$53.7 million surplus COL for cancellation in 2018 (Table 2), with SBV to submit cancellation requests by 31 May 2018. SBV may request additional surplus OCR and COL cancellations based on the decisions pending in Table 1.

Table 2: Pending Surplus OCR and COL Cancellations (as of May 2018)

Name	Loan Number	Amount (\$ million)	Source
Greater Mekong Subregion Ben Luc-Long Thanh Expressway Project-PFR 1 & 2	2730 3391	23.0 103.4	OCR OCR
Power Transmission Investment Program-Tranche 3	3374	50.0 - 60.0	OCR
Second Northern Greater Mekong Subregion Transport Network Improvement Project-AF	2703	7.2	COL
GMS Southern Coastal Corridor Project-AF	2988	16.5	COL
Low Carbon Agricultural Support Project	2968	30.0	COL

AF = additional financing, GMS = Greater Mekong Subregion, PRF = periodic financing request.

14. **Utilizing cancelled surplus COL.** FERD inquired if cancelled surplus COL can be reallocated to finance new projects. ADB explained that this is possible, but the cancelled surplus is first returned to a common pool and a reallocation to Viet Nam requires ADB management approval. FERD requested the canceled COL surplus be reallocated to Viet Nam projects being prepared for approval in 2018. Recognizing that any new COL financing must be approved by the ADB Board and signed by the end of 2018, ADB stressed that the surplus COL cancellation requests must be submitted by 31 May, as agreed in Table 1, to allow enough time to prepare and approve proposals.

15. Conversely, if active surplus COL is not cancelled, ADB management could approve use of surplus for new/expanded subprojects under the same ongoing loan/grant beyond 2018 if proposals substantially meet the eligibility criteria described in para 11.

16. Apart from the surplus OCR and COL cancellations described above, the total value of loans and grants scheduled to financially close by 31 December 2018 is about \$2.18 billion, as detailed in the attached TPRM background paper. To help facilitate timely project account closure, ADB and MOF financial management specialists will organize a loan and grant disbursement seminar focusing on policies, guidelines, practices and procedures for closing loans and grants. The seminar will be held on 9–10 May in Nha Trang.

17. **Actions to maximize contract awards.** To maximize 2018 contract awards, the TPRM emphasized all projects must ensure bidding documents are advertised early (i.e. by 30 June) and safeguards documents are updated and approved well in advance of expected contract signing dates. All project teams must also try to advance some contract awards expected in 2019. ADB will continue to closely track actual contract awards against the 2018 projections and provide targeted procurement clinics and/or safeguards training for executing and implementing agencies, particularly those with large contract awards estimates or critical unawarded consulting services contracts. The TPRM confirmed procurement clinics will be held for Support to Border Areas Development Project (L3499) and Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project (L3165) in Q2 2018. Environment and involuntary resettlement safeguards training

will be organized for about 60 executing and implementing agency staff (Loans 3391, 3374, 3363/64, 3156, 3133, 2754, 2969, 2372, and 3340, 3113, 3038 and 2750) on 14–15 May 2018 in Ho Chi Minh City.

18. **Disbursement optimization.** Regarding actions to optimize disbursement, FERD acknowledged that ADB’s timely submission of 2018 likely disbursement projections to MPI helped inform the Government’s decision to allocate the ADB portfolio \$411.7 million ODA budget this year for projects with on-granting arrangements that are subject to disbursement ceilings.⁶ While some projects have over-allocation, 14 loans, including 3 projects discussed at TPRM with significant shortfall (Table 3), have a total ODA budget shortfall of at least \$45.6 million in 2018 (apart from the \$23 million grant budget shortfall described in para. 23), requiring a timely inter-agency or within-agency reallocation, or additional allocation.

Table 3: Projects with ODA Budget Shortfall

Number	Name	Shortfall
2741	Ha Noi Metro Rail System Project (Line 3: Nhon-Ha Noi Station Section)	\$12.1 million ^a
3013	Central Mekong Delta Region Connectivity Project	\$12.5 million
3044	Secondary Cities Development Project	\$7.9 million (VND 181 billion) ^b

AF = additional financing; ODA = official development assistance.

^a Amount initially proposed, to be confirmed.

^b USD 1 = VND 22,700

19. MPI, MOF and ADB project teams committed to review disbursement requirements and propose timely reallocations within and across agencies where needed, and to consider additional allocations based on actual project progress if this can be done without breaching the total amount of ODA budget allocated for Six Banks-financed projects in 2018 (i.e. VND 60 trillion less 10% contingency). Meanwhile, to facilitate faster disbursement ADB supports increasing or removing advance account ceilings for projects that demonstrate good financial management capacity. ADB confirmed it will conduct hand-on disbursement clinics for 6 projects in 2018 (L2968, L2721, L2730, L2961, L3251, and L2750/51).

20. **Loan signings.** Projects with unsigned loan agreements are listed in Table 4. The TPRM noted that Basic Infrastructure for Inclusive Growth in the Northeast Provinces Sector Project (L3633, \$150 million) was signed on 12 April 2018. ADB requested SBV to confirm loan and grant signing dates for the Secondary Green Cities Development Project and Basic Infrastructure for Inclusive Growth in the North-Central Provinces Sector Project without further delay so project implementation could commence. MOF informed it would amend and sign the subsidiary loan agreement under loan 3374 by 31 May 2018.

Table 4: Projects with Unsigned Loan Agreements, April 2018

Number	Name	Amount (\$ million)	Approval Date	Delay (months)
3374	Power Transmission Investment Program-Tranche 3	130.6*	Dec 2015	28
3590/3591 0549/0550	Secondary Green Cities Development Project	176.0	Oct 2017	6
3534/3635	BIIG in the North-Central Provinces	149.1	Dec 2017	3
Total		455.7	-	-

BIIG = Basic Infrastructure for Inclusive Growth.

Note: * Uncontracted balance only.

⁶ ADB submitted the ADB-financed/administered portfolio 2018-2020 likely disbursement projections in October 2017.

21. **Medium-term investment plan inclusion.** MPI confirmed the Government will in May 2018 request the National Assembly to approve five ADB-financed projects' inclusion in the medium-term investment plan (Table 5).

Table 5: Projects Pending Medium-term Investment Plan Inclusion

Number	Name	Amount (\$ million)	Approval Date	Delay (months)
3340	Urban Environment and Climate Change	100.0	Nov 2015	28
3499	Support to Border Areas Development	111.5	Dec 2016	15
3590/91 0549/50	Secondary Green Cities Development Project	176.0	Oct 2017	5
3633	BIIG in the Northeastern Provinces	150.0	Dec 2017	3
3534/3635	BIIG in the North-Central Provinces	149.1	Dec 2017	3
Total		686.6	-	-

BIIG = Basic Infrastructure for Inclusive Growth.

22. **Non-physical investment financing.** Government and ADB project teams understand the State Budget Law (2015) and Circular 324/2016/TT-BTC (December 2016) disallow ODA loan financing for recurrent expenditures and most non-physical investment activities. However, there are many active loans in the ADB portfolio, particularly in the social sectors, that were approved before the 2015 State Budget Law was promulgated. Some have substantial non-physical investment activities, for example education block grants and/or consulting services for capacity building, that do not necessarily fall under the category “recurrent expenditures” and are integral to successful project implementation and sustainability. The TPRM requested MOF and project teams to review projects affected by this issue and seek practical solutions to avoid the risk of unsuccessful project outcomes.

23. **Grant disbursement.** ADB submitted 2018 ODA grant budget requirements for ADB-financed/administered grants to MPI on 24 January 2018. Lacking clear regulations for ODA grant disbursement, MPI is following-up with grant recipient agencies to consolidate their annual grant budget plans and will seek the Prime Minister’s guidance on how to disburse the funds by 10 May 2018. As noted above, Viet Nam’s current ODA regulatory framework discourages using foreign loans for non-physical investment activities, underscoring the urgency of timely ODA grant budget approval. Delayed approval of the ODA grant budget is preventing disbursement of about \$23 million in grant assistance to the agriculture and natural resource, energy, transport, water and urban sectors.

IV. OTHER ISSUES

24. The TPRM background paper noted ADB and authorized government agencies are currently processing loan closing date extensions and restructuring proposals for Ho Chi Minh City Urban Mass Rapid Transit Line 2 and associated operations under the Investment Program (Multitranches Financing Facility 0052). In response to SBV’s request, ADB indicated it could approve the extension of Loan 2956 to December 2020 by the end of May 2018. However, it is critically important that the National Assembly approves the Project Adjustment Documents (PAD) in May 2018 to enable two large ADB-cofinanced contracts (CP3a and CP3b-tunnels and underground stations) to proceed with bid opening in June 2018 and be awarded by Q1 2019, which will help ADB initiate preparation of an additional loan.⁷ Early PAD approval is also needed to accelerate advertisement in 2018 of the ADB-financed CP4 contract (spur line, transition and

⁷ Packages CP3a and CP3b were advertised in December 2017 and estimated to cost \$1.052 billion. The works are cofinanced by ADB and the European Investment Bank.

elevated section), estimated to cost \$77.6 million; and timely advertisement of the ADB-financed CP6 (trackwork and third rail works package), estimated to cost \$66.8 million, in September 2018. ADB confirmed it will provide additional support (technical assistance-financed procurement specialist and ADB staff) to assist Ho Chi Minh City's Management Authority for Urban Railways respond to the large number of bidders' requests for clarification to ensure CP3a and CP3b bid opening can proceed in June 2018. ADB also flagged with MPI and other national ODA oversight agencies the submission of an audited project financial statements for fiscal year 2016 is overdue by more than 9 months and if ADB does not receive the audit report by 30 June, it may suspend loans under the Investment Program.

V. NEXT STEPS

25. FERD and ADB noted the first 2018 TPRM was timely and relevant, with good participation of all stakeholders. MPI and other ODA oversight agencies are concurrently reviewing proposals to restructure, extend, and/or cancel surplus loan proceeds with other members of the Six Banks Group. This comprehensive review, together with the TPRM's findings and recommendations, are expected to make an important contribution to the government's forthcoming ODA Status Report, which will be presented to the National Assembly in May 2018. FERD agreed to share the report with ADB shortly after it is approved.

26. To further support timely implementation and monitoring of the TPRM action plan, ADB and MPI also agreed to:

- (i) share the endorsed TPRM Aide Memoire with all TPRM participants and the Office of Government;
- (ii) meet once every two months and regularly follow-up with project teams and ODA oversight agencies to ensure timely submission and approval of viable restructuring proposals, cancellations, and project closures;
- (iii) report progress, and seek solutions to address unresolved systemic issues raised during the TPRM at a ODA National Steering Committee meeting in mid-2018, chaired by Deputy Prime Minister, which may be held jointly with other members of the Six Banks Group; and
- (iv) jointly develop the program for the next TPRM, to be held in September 2018.

VI. ACKNOWLEDGEMENTS

27. ADB appreciates the cooperation and guidance extended to the TPRM by MPI, other ODA oversight agencies, line ministries, people's committees, and all participating project executing and implementing agencies.

Signed in Ha Noi on 12 June 2018

Eric Sidgwick
Country Director
Viet Nam Resident Mission
Asian Development Bank

2018 FIRST TRIPARTITE PORTFOLIO REVIEW MISSION

List of Persons Met

Ministry of Planning and Investment

- 1- Mr. Le Viet Anh, Deputy Director General, Foreign Economic Relations Department (FERD)
- 2- Mr. Nguyen Hoang Phuong, Expert, FERD
- 3- Ms. Lai Thi Thu Ha, Expert, FERD

Ministry of Finance

- 1- Ms. Nguyen Lan Anh, Deputy Head of Multilateral Division, Department of Debt Management and External Finance
- 2- Ms. Le Thanh Hue, Expert, Department of Debt Management and External Finance

State Bank of Viet Nam

- 1- Mr. Doan Manh Tu, Head of ADB Division, International Cooperation Department (ICD)
- 2- Mr. Do Hong Hai, Deputy Head of ADB Division, ICD
- 3- Ms. Pham Thanh Binh, Expert, ADB Division, ICD
- 4- Ms. Nguyen Quynh Phuong, Expert, ADB Division, ICD

Ministry of Transport

- 1- Ms. Tran Thi Thanh Thuy, Deputy Director General of Planning and Investment Department
- 2- Mr. Nguyen Quoc Pham, Expert, Planning and Investment Department

Ministry of Agriculture and Rural Development

- 1- Mr. Tran Kim Long, Director General of International Cooperation Department (ICD)
- 2- Mr. Le Minh Tuan, Expert, ICD
- 3- Ms. Vu Thanh Ha, Expert, ICD
- 4- Mr. Le Xuan Toan, Expert, ICD

L3317/2703-VIE: Second Northern Greater Mekong Sub-region Transport Network Improvement Project – Additional Financing

- 1- Mr. Hoang Nghia Viet, Deputy Head of General Planning Department
- 2- Ms. Nguyen Khac Trung, Deputy Head of Management Department

L3391/2730-VIE: Greater Mekong Subregion Ben Luc-Long Thanh Expressway Project - PFR 1 & 2

- 1- Mr. Dang Hoai Nam, Project Director, VEC
- 2- Mr. Pham Thanh Tung, Project Officer, VEC

L2988-VIE: Greater Mekong Subregion Southern Coastal Corridor Project - Additional Financing

- 1- Mr. Viet Bao Tuan, Deputy Director

L3013-VIE: Central Mekong Delta Region Connectivity Project

- 1- Mr. Viet Bao Tuan, Deputy Director

L2741/3363/3364-VIE: Ha Noi Metro Rail System Project (Line 3: Nhon-Ha Noi Station Section)

- 1- Mr. Do Viet Hai, Deputy Director, MRB
- 2- Mr. Le Sinh Tien, Deputy Head of Foreign Economics Relation Division, MRB
- 3- Mr. Dang Viet Khanh, Deputy Head of Planning and Investment, MRB

L3235/8291-VIE: Strengthening Sustainable Urban Transport for Ha Noi Metro Line 3

- 1- Mr. Nguyen Quan Ha, Head of Planning and Monitoring Department
- 2- Mr. Nguyen Nghiem Luong, Project Officer

L3161/8286-VIE: Ha Noi and Ho Chi Minh City Power Grid Development Sector Project

- 1- Mr. Mai Chi Hung, Deputy Director, EVN Hanoi
- 2- Ms. Vu Kim Huong, Head of International Relations Department (IRD), EVN Hanoi
- 3- Ms. Tran Thi Mai Van, Deputy Head of IRD, EVN NPT
- 4- Mr. Nguyen Tri Hieu, Officer, EVN
- 5- Ms. Pham Thao Ha, Officer, ENV NPT
- 6- Mr. Pham Quoc Binh, Officer, EVN HCM
- 7- Mr. Nguyen Dang Viet Cuong, Officer, EVN HCM

L3374-VIE: Power Transmission Investment Program - Tranche 3

- 1- Mr. Nguyen Sy Cuong, Deputy Director General, Institute for Hydro Power and Renewable Energy (IHR)
- 2- Mr. Quach Quang Dong, Chief of Office, Institute for Hydro Power and Renewable Energy (IHR)
- 3- Ms. Le Lan Huong, Officer, Institute for Hydro Power and Renewable Energy (IHR)

L2968-VIE: Low Carbon Agricultural Support Project

- 1- Mr. Nguyen The Hinh, Project Director
- 2- Mr. Hoang Thai Ninh, Project Deputy Director
- 3- Mr. Nguyen Viet Hung, Officer, Agribank
- 4- Ms. Vu Thi Thu Hoai, Officer, Agribank

L3173-VIE: Integrated Rural Development Sector Project in the Central Provinces – Additional Financing

- 1- Mr. Nguyen Tien Dung, Director
- 2- Ms. Pham Hoang Lan, Deputy Director

L2750/2751-VIE: University of Science and Technology of Hanoi Development (New Model University) Project

- 1- Mr. Nguyen Quoc Huy, Project Director
- 2- Ms. Dinh Thi Mai Thanh, Project Deputy Director
- 3- Mr. Tran Van Ngoc, Deputy Head of Planning and Finance Department
- 4- Mr. Vu Quang Duc, Project Officer
- 5- Ms. Ha Dieu Hang, Project OfficerMs. Nguyen Thi Phuong, Chief Accountant
- 6- Ms. Nguyen Thanh Thuy, Project Officer

L2920/8273-VIE: Public-Private Partnership Support Project

- 1- Ms. Vu Quynh Le, Project Director

L3044-VIE: Secondary Cities Development Project

- 1- Mr. Luu Van Khoi, Vice Chairman, Buon Ma Thuot City People's Committee (CPC)
- 2- Mr. Truong Van Chinh, Deputy Head of Finance and Economics Department, Buon Ma Thuot CPCMr. Van Hoai Ninh, Project Director, Ha Tinh PPMU
- 3- Mr. Nguyen Cong Nguyen, Deputy Director, PPMU Ha Tinh
- 4- Mr. Nguyen Hoang Thinh, Project Officer, Ha Tinh PPMU
- 5- Mr. Huynh Khanh Toan, Vice Chairman, Quang Nam PPC
- 6- Mr. Nguyen Hoang Thanh, Deputy Director, Quang Nam DPI
- 7- Mr. Dang Ba Du, Project Director, Quang Nam PPMUMr. Hung, Expert, Quang Nam DPI
- 8- Mr. Bui Van Quang, Project Officer, Quang Nam PPMU
- 9- Mr. Le Quang Hung, Project Officer, Quang Nam PPMU
- 10- Mr. Ho Dai Long, Project Officer, Quang Nam PPMU
- 11- Mr. Phan Thanh Dung, Project Director, Dak Lak PPMU
- 12- Mr. Vo Ngoc Tuyen, Deputy Director, Dak Lak DPI
- 13- Mr. Hoang Trung Dinh, Project Officer, Dak Lak PPMU
- 14- Mr. Tran Anh Tuan, Project Officer, Dak Lak PPMU

L2969-VIE: Greater Mekong Subregion Corridor Towns Development Project

- 1- Mr. Tran Duc Tam, Director, Quang Tri DPI
- 2- Mr. Le Duc Hoang, Coordinator, Quang Tri PPMU
- 3- Ms. Nguyen Thi Thuong Huyen, Head of Foreign Economics Department, Quang Tri PPMU
- 4- Ms. Le Thi Thuong, Project Officer, Quang Tri PPMU
- 5- Mr. Le Cuong, Interpreter, Quang Tri PPMU

2018 FIRST TRIPARTITE PORTFOLIO REVIEW MISSION

TIME/DATE: 8:00–16:30, WEDNESDAY, 11 APRIL 2018

VENUE: MINISTRY OF PLANNING AND INVESTMENT

CO-CHAIRS: MR. LE VIET ANH, DEPUTY DIRECTOR GENERAL, FERD, MPI
MR. NORIO SAITO, DEPUTY COUNTRY DIRECTOR, ADB, VRM

8:00–8:20 Welcome by MPI and ADB

8:20–8:30 Introduction to 2018 First TPRM scope and objectives, by ADB

TECHNICAL DISCUSSIONS: *Executing agency senior officials present systemic issues relevant to each project and the proposed solutions (maximum 5 minutes), followed by discussions*

8:30–10:00 SESSION I: TRANSPORT (ROAD)

8:30–8:50 L3317/2703: Second Northern Greater Mekong Subregion Transport Network Improvement Project – Additional Financing
(EA: Ministry of Transport)

8:50–9:10 L3391/2730: Greater Mekong Subregion Ben Luc-Long Thanh Expressway Project - PFR 1 & 2
(EA: Vietnam Expressway Corporation)

9:10–9:30 L2988: Greater Mekong Subregion Southern Coastal Corridor Project - Additional Financing
(EA: Ministry of Transport)

9:30–9:50 L3013: Central Mekong Delta Region Connectivity Project
(EA: Ministry of Transport)

9:50–10:00 Open Discussion

10:00–10:10 Break

10:10–11:00 SESSION II: TRANSPORT (RAIL)

10:10–10:30 L2741/3363/3364: Ha Noi Metro Rail System Project (Line 3: Nhon-Ha Noi Station Section)
(EA: Ha Noi People's Committee)

10:30–10:50 L3235/8291: Strengthening Sustainable Urban Transport for Ha Noi Metro Line 3

(EA: Ha Noi People's Committee)

10:50–11:00 Open Discussion

11:00–12:00 SESSION III: ENERGY

11:00–11:20 L3161/8286: Ha Noi and Ho Chi Minh City Power Grid Development Sector Project

(EA: Hanoi Power Corporation (EVN Ha Noi), Ho Chi Minh City Power Corporation (EVN HCMC))

11:20–11:40 L3374: Power Transmission Investment Program - Tranche 3

(EA: National Power Transmission Corporation)

11:40–12:00 Open Discussion

12:00–13:30 Lunch Break

13:30–13:50 SESSION IV: AGRICULTURE AND NATURAL RESOURCES

13:30–13:50 L2968: Low Carbon Agricultural Support Project

(EA: Ministry of Agriculture and Rural Development)

13:50–14:10 L3173: Integrated Rural Development Sector Project in the Central Provinces – Additional Financing

(EA: Ministry of Agriculture and Rural Development)

14:10–14:20 Open Discussion

14:20–14:40 SESSION V: EDUCATION

14:20–14:40 L2750/2751: University of Science and Technology of Hanoi Development (New Model University) Project

(EA: Vietnam Academy of Science and Technology)

14:40–15:00 SESSION VI: PUBLIC SECTOR MANAGEMENT

14:40–15:00 L2920/8273: Public-Private Partnership Support Project

(EA/IA: Ministry of Planning and Investment)

15:00–15:10 Break

15:10–16:00 SESSION VII: URBAN

15:10–15:30 L3044: Secondary Cities Development Project
(EA: Quang Nam, Ha Tinh, Dak Lak PPC)

15:30–15:50 L2969: Greater Mekong Subregion Corridor Towns Development Project
(EA: Quang Tri, Tay Ninh PPC)

15:50–16:00 Open Discussion

16:00–16:30 **Guidance from Co-Chairs and ODA Oversight Agencies**
Meeting Closes

THURSDAY, 12 APRIL 2018

14:00 – 16:00 **Wrap up meeting, MPI and ADB**, Co-chaired by *Mr. Le Viet Anh, Deputy Director General, FERD, MPI* *Mr. Norio Saito, Deputy Country Director, ADB VRM*

Background Note

Viet Nam 2018 First Tripartite Portfolio Review Mission

March–April 2018

Key Messages

- Accelerate contract awards to attain \$377 million “bottom-up” target and aspire to reach \$788 million ADB management target
- Optimize disbursement to attain \$588 million “bottom-up” target and aspire to reach \$833 million ADB management target
- Cancel up to \$410 million surplus loan proceeds (projects closing beyond 2018)
- Financially close 20 projects worth \$2.18 billion in 2018
- Decide to extend 10 projects worth \$1.34 billion or otherwise
- Sign 4 loan/subsidiary loan agreements worth \$605.7 million
- Include 5 projects worth \$686.6 million in the medium-term investment plan
- Approve the Project Adjustment for Ho Chi Minh City Urban Mass Rapid Transit Line 2

I. INTRODUCTION

1. Building on the previous Government of Viet Nam–Asian Development Bank (ADB) Tripartite Portfolio Review Mission (TPRM) held in August 2017, the first of two TPRMs scheduled for 2018 will be held during 11-12 April 2018. The TPRM will be conducted jointly by the Ministry of Planning and Investment (MPI), Foreign Economic Relations Department (FERD); Asian Development Bank (ADB); and other Official Development Assistance (ODA) oversight agencies including the Ministry of Finance (MOF), Office of Government (OOG), and State Bank of Viet Nam (SBV). Select project executing and implementing agencies will actively participate in the TPRM.

2. Notable achievements since the 2017 TPRM include issuance of bidding documents for two Ho Chi Minh City Urban Mass Rapid Transit Line 2 civil works packages in December 2017; land acquisition, resettlement assistance, and site hand-over progress for Hanoi Metro Line 3; and conclusion of the subsidiary loan agreement and contract awards totaling \$106 million for the Greater Mekong Subregion Ben Luc–Long Thanh Expressway Project (PFR-2).

3. Consistent with Government and ADB priorities, this TPRM’s main objectives are to: (i) optimize 2018 contract awards and disbursement considering the Government’s 2018 ODA budget allocation and ADB management targets; (ii) identify surplus loan proceeds for cancellation, and (iii) provide clear guidance on executing agency proposals to extend/restructure ongoing loans. As many executing agencies propose loan extensions and/or to utilize surplus loan proceeds, the TPRM will agree on eligibility criteria to assess these proposals for further processing.

4. Government and ADB guidance is also sought to enable timely signing of pending loan/subsidiary loan agreements and inclusion of approved projects in the Government’s medium-term investment plan. Further clarification on the use of loan proceeds for investment project’s non-physical components is also sought.

II. KEY ISSUES

A. Portfolio Overview

5. As of 1 March 2018, the ADB Viet Nam portfolio of 59 projects and programs was worth \$7.68 billion, including \$4.46 billion regular Ordinary Capital Resources (OCR) lending and \$2.87 billion concessional OCR (COL). Between August 2017 and March 2018, the number of active projects was reduced from 62 and the total portfolio value shrank by \$1.5 billion. This amount includes scheduled project closures and \$276 million cancelled active surplus loan proceeds in 2017. The uncontracted balance at the beginning of 2018 was \$2.31 billion and undisbursed balance \$3.77 billion (excluding program loans). Current sector composition is transport (53.0%), water and urban (14.5%), agriculture and natural resources (10.6%), education and health (9.7%), energy (8.7%), public sector management (2.7%), and industry and trade (1.0%).

6. In 2017 contract awards totaled \$639 million, lower than ADB's \$878 million management target and 18% less than the 2017 TPRM likely target of \$777 million. While the contract awards ratio improved from 16% in 2016 to 26% in 2017, it was lower than the 27% ADB average. Disbursement totaled \$516 million in 2017, lower than ADB's \$970 million management target and 33% less than the 2017 TPRM likely target of \$773 million. The disbursement ratio was 12.6% in 2017, decreasing from 13.8% in 2016 and lower than the 21.9% ADB average. The consequences of delayed contract awards and slow disbursement are reduced development effectiveness, higher commitment costs for regular OCR loans, and increased risk of project cost overruns.

B. Contract Awards and Disbursement

7. In January 2018 "bottom-up" contract awards and disbursement targets were prepared by ADB and Government project teams. This exercise indicates 2018 contract awards are expected to be at least \$377 million and disbursement at least \$588 million. In comparison, the ADB management targets are \$788 million contract awards and \$833 million disbursement.¹

8. There are 7 projects in the ADB Viet Nam portfolio with 2018 contract awards estimates exceeding \$20 million, which together account for \$248.3 million or 65.8% of the total bottom-up target (Table 1). To optimize 2018 contract awards, project teams will need to ensure bidding documents are advertised by 30 June and safeguards documents are updated and approved well in advance of contract signing dates. All project teams must also try to advance some contract awards expected in 2019. The target for average procurement time for goods and works contracts valued between \$1 million and \$40 million is 140 days or less (starting from ADB's receipt of draft biddings documents and all steps to contract signing). This target assumes single stage, one envelope procedure with prior review. To help build executing agency procurement capacity and accelerate contract awards ADB will continue to provide hands-on procurement clinics for project staff.²

¹ Based on the ADB-wide 29% contract awards ratio target and 22% disbursement ratio target.

² Clinics are planned for L3156 and L3499 in Q2 2018.

Table 1: Projects with Large Contract Awards Estimates, 2018

Number	Name	CA Estimate (\$ million)
3374	Power Transmission Investment Program-Tranche 3	53.0
3161/8286	Ha Noi & Ho Chi Minh City Power Transmission Development	46.4
3038	Second Health Care in the Central Highlands Project	29.8
3499	Support to Border Areas Development	27.7
2962	Water Sector Investment Program-Tranche 2	41.6
3353	Second Greater Mekong Subregion Corridor Towns Development Project	29.6
3165	Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth	20.0
Total		248.3

CA = contract awards.

9. The Government has allocated an annual ODA budget totaling \$411.7 million for ADB-financed projects with on-granting arrangements that are subject to disbursement ceilings. While this is over the bottom-up disbursement targets with on-granting arrangements in aggregate terms, there are 14 loans and 5 grants with a shortfall in ODA budget allocation. These projects require reallocation within the agency, reallocation across the agencies, or and additional allocation. Four projects (5 loans) have a shortfall of more than \$2 million (Table 2).

Table 2: Projects with Potential ODA Budget Shortfall

Number	Name	Shortfall (\$ million)
2741	Ha Noi Metro Rail System Project (Line 3: Nhon-Ha Noi Station Section)	12.1
3317/2703	Second Northern Greater Mekong Subregion Transport Network Improvement Project-Additional Financing	5.4*
3044	Secondary Cities Development Project	7.9
3499	Support to Border Areas Development Project	2.8
Total		20.3

ODA = official development assistance.

* To be confirmed

10. To help avoid disbursement delays project executing agencies must closely follow up with MPI, MOF, and Provincial People's Committees to ensure there are sufficient budgetary resources available to meet actual needs. This includes timely requests for (i) ODA budget reallocation among projects, or reallocation among provinces for projects with multiple provinces; (ii) reallocation across provinces/agencies; and/or (iii) additional ODA budget allocations for those projects that disburse their annual allocation quickly and could disburse more in 2018.

11. Projects can also avoid disbursement delays by correctly preparing and submitting withdrawal applications, as ADB's average processing time for complete applications is 4 days or less. In 2018, ADB commits to provide hands-on disbursement clinics to further strengthen executing and implementing agencies' financial management capacity. There are 6 projects prioritized for these clinics (L2968, L2721, L2730, L2961, L3251, and L2750/51) based on high withdrawal application return rates, frequent inaccurate reporting and delayed response times, and high attrition of project accountants.

12. In 2018, ADB-administered grant disbursements are expected to be \$23.1 million for 14 projects. On 8 March 2018 FERD confirmed that the 2018 ODA budget request for grant projects would be submitted the concerned National Assembly Standing Committee for timely endorsement.

C. Cancellations

13. There are 10 ongoing projects with greater than \$10 million surplus active loan proceeds considered for cancellation in 2018 (Table 3). The total amount of active loan proceeds for potential cancellation in 2018 is about \$410 million, equivalent to 5.3% of the entire portfolio. Projects due to close by Q4 2018, which will automatically cancel surplus amounts, are not included in the analysis.

Table 3: Potential Cancellations, 2018

Number	Name	Amount (\$ million)
3374	Power Transmission Investment Program-Tranche 3	50.0
3161/8286	Ha Noi & Ho Chi Minh City Power Transmission Development:	80.0
2750/2751	University of Science and Technology of Hanoi Development (New Model University) Project	13.0
3317/2703	Second Northern Greater Mekong Subregion Transport Network Improvement Project–Additional Financing	30.0
3391/2730	Greater Mekong Subregion Ben Luc-Long Thanh Expressway Project-PFR 1 & 2	PRF1: 34.0 PRF 2: 103.0
2988	GMS Southern Coastal Corridor Project-Additional Financing	20.0
2920/8723	Public-Private Partnership Support Project	15.0
2968	Low Carbon Agricultural Support Project	30.0
2969	GMS Corridor Towns Development Project	20.0
3173	Integrated Rural Development Sector Project in the Central Provinces-Additional Financing	0.0
Total		395.0

GMS = Greater Mekong Subregion, PRF = periodic financing request.

14. This TPRM represents ADB’s prior consultation on prospective 2018 loan cancellations (Table 3) with project executing agencies, ODA oversight agencies, and designated Borrower(s). Based on agreements reached during TPRM consultations, the Borrower(s) or ADB will initiate timely cancellation of surplus loan proceeds.

D. Loan Extension/Restructuring

15. Prospective loan extensions or extensions pending approval by Government and/or ADB are summarized in Table 4. Restructuring, i.e. scope changes, will be reviewed as part of the decision to extend a project or otherwise. Projects with proposed scope changes that do not require an extension will be reviewed during normal project administration missions and are not included in the TPRM.

16. In parallel with the TPRM, ADB and concerned government agencies are processing the loan closing date extensions and restructuring L2731/2956/3313/8729 (Ho Chi Minh City Urban Mass Rapid Transit Line 2 and associated operations), including the proposed Project Adjustment that requires National Assembly approval in May 2018.

17. To facilitate timely consideration of loan closing date extensions the TPRM should clarify standard Government and ADB approval times for these transactions. Currently, it typically takes at least 6 months to more than 1 year to obtain all necessary Government approvals to extend a project. Similarly, there are lengthy approval processes for restructuring, even if an extension is not needed. Delayed extensions and/or restructuring leads to higher commitment costs for regular OCR loans, increased risk of cost overruns, and may undermine successful development outcomes, for example by slowing the use of ADB-financing for emergency situations caused by natural disasters.

Table 4: Prospective/Proposed Loan Extensions

Number	Name	Amount (\$ million)	Current Closing	Proposed Closing
2750/2751	University of Science and Technology of Hanoi Development (New Model University) Project	188.0	30 Jun 2018	30 Jun 2023
2741	Ha Noi Metro Rail System Project (Line 3: Nhon-Ha Noi Station Section)	293.0	30 Jun 2018	31 Dec 2022
3363 3364	Ha Noi Metro Rail System Project (Line 3: Nhon-Ha Noi Station Section)	64.8	31 Dec 2019	31 Dec 2022
3235/8291	Strengthening Sustainable Urban Transport for Ha Noi Metro Line 3	53.0	30 Jun 2019	30 Jun 2022
2703	Second Northern Greater Mekong Subregion Transport Network Improvement Project	67.4	16 Dec 2016	30 Jun 2019
3317	Second Northern Greater Mekong Subregion Transport Network Improvement Project– Additional Financing	71.9	30 Jun 2019	30 Jun 2020
3013	Central Mekong Delta Region Connectivity	410.0	30 Jun 2020	31 Dec 2021
2920	Public-Private Partnership Support Project	18.8	30 Jun 2019	31 Mar 2020
8273	Public-Private Partnership Support Project - Additional Co-financing	9.9	30 Jun 2018	31 Mar 2020
2969/0329	GMS Corridor Towns Development Project	119.2	30 Jun 2019	30 Jun 2020
Total		1,354.8	-	-

GMS = Greater Mekong Subregion.

* To be confirmed following conclusion of March 2018 midterm review mission.

18. For reference, projects and programs not proposed for extension and expected to financially close by 31 December 2018 are in Table 5. These are projects with a physical completion date by mid-2018. The analysis considers there is a standard 4-month winding-up period after physical completion to liquidate outstanding payments and close the loan/grant account. To help ensure timely financial closure of these projects ADB will organize a disbursement seminar focusing on project account closing procedures in May 2018. All projects expected to close in 2018 will be invited.

19. The total value of projects expected to financially close by 31 December 2018 is \$2.18 billion. This is equal to 28.4% of the total ADB portfolio as of 1 March 2018.

Table 5: Loans and Grants with Financial Closing Expected by 31 December 2018

Number	Name	Amount (\$ million)
2652	Skills Enhancement Project	48.9
2699/0450	Second GMS Regional Communicable Diseases Control Project	27.9
2930	GMS Capacity Building for HIV/AIDS Prevention Project	14.2
3493	Second Secondary Education Sector Development Program	51.9
2391/2	GMS Kunming-Hai Phong Transport Corridor-Noi Bai-Lao Cai Highway	1,089.1
3207/08/09	GMS Kunming-Haiphong Transport Corridor Noi Bai-Lao Cai Highway-Additional Financing	64.7
0095	GMS Southern Coastal Corridor Project	25.5
2451	Ho Chi Minh City-Long Thanh-Dau Giay Expressway Construction	198.6
2609	Central Region Rural Water Supply and Sanitation Sector Project	40.2
2614	SOE Reform and Corporate Governance Facilitation Program-Project 1	3.9
3242	SOE Reform and Corporate Governance Facilitation Program-Project 2	8.9
2789	Transport Connections in Northern Mountainous Provinces Project	72.7
2682/3	Sustainable Rural Infrastructure Development Project in Northern Mountain Provinces	100.4
2826	Comprehensive Socioeconomic Development of Selected Cities	62.1
2636	Strengthening Water Management and Irrigation Systems Rehabilitation Project	93.2
2517/0384	Renewable Energy Development and Network Expansion and Rehabilitation for Remote Communes Sector Project (Formerly Renewable Energy for Remote Communes)	151.6
8273	Public-Private Partnership Support Project-Additional Cofinancing	9.8*
0365	Energy Efficiency for Ho Chi Minh City Water Supply	2.0
3503	Improving Public Expenditure Quality Program-Subprogram 1	124.3
Total		2,189.9

GMS = Greater Mekong Subregion, SOE = state owned enterprise,

* EA is now processing its internal procedures to extend this Loan to 31 March 2020.

E. Timely Loan Agreement Signings and Medium-term Investment Plan Inclusion

20. As of 19 March 2018, there are 4 projects with unsigned loan agreements or subsidiary loan agreements. As shown in Table 6, this is preventing the implementation of projects in the energy, agriculture and natural resources, and urban sectors worth \$605.7 million. This amount is equal to about 8% of the total ADB portfolio.

Table 6: Delayed Signings

Number	Name	Amount (\$ million)	Approval Date	Delay (months)
3374	Power Transmission Investment Program-Tranche 3	130.6*	Dec 2015	27
3590/91 0549/50	Secondary Green Cities Development Project	176.0	Oct 2017	5
3633	BIIG in the Northeastern Provinces	150.0	Dec 2017	3
3534/3635	BIIG in the North-Central Provinces	149.1	Dec 2017	3
Total		605.7	-	-

BIIG = Basic Infrastructure for Inclusive Growth.

Note: * Uncontracted balance only. Requires subsidiary loan agreement amendment.

21. Delayed inclusion of approved/signed projects in the Government's medium-term investment plan (MTIP) is another time-sensitive issue, as the National Assembly normally considers proposals only twice per year in May and November. According to the State Budget Law

(2015) if a project is not included in the MTIP Government agencies are unable to allocate ODA budgets. This also prevents project executing agencies from advertising goods, works, or services, weakening project readiness and further delaying development outcomes. There are 5 projects pending inclusion in the MTIP worth \$686.6 million or 9% of the ADB portfolio (Table 7). The TPRM will confirm if these are proposed for MTIP inclusion in May 2018

Table 7: Projects Pending Medium-term Investment Plan Inclusion

Number	Name	Amount (\$ million)	Approval Date	Delay (months)
3340	Urban Environment and Climate Change	100.0	Nov 2015	28
3499	Support to Border Areas Development	111.5	Dec 2016	15
3590/91 0549/50	Secondary Green Cities Development Project	176.0	Oct 2017	5
3633	BIIG in the Northeastern Provinces	150.0	Dec 2017	3
3534/3635	BIIG in the North-Central Provinces	149.1	Dec 2017	3
Total		686.6	-	-

BIIG = Basic Infrastructure for Inclusive Growth.

F. Non-Physical Investment Activity Financing

22. Government and ADB project teams understand the State Budget Law (2015) disallows ODA loan financing for recurrent expenditures and many non-physical investment activities. However, there are many active loans in the ADB portfolio, especially in the health and education sectors, that were approved before the 2015 State Budget Law was promulgated. These typically have many non-physical investment activities that are integral to the approved project design, successful outcomes, and sustainability, and do not necessarily fall under the category “recurrent expenditures.”

23. The TPRM is therefore requested to clarify the eligibility of ODA loan financed non-physical expenditures, including for projects approved before the State Budget Law 2015 was promulgated.

III. OTHER ISSUES

24. The TPRM will also follow-up and report the status of the following 2017 TPRM recommendations: (i) establishment of an inter-ministerial monitoring team to ensure implementation of TPRM and ODA National Steering Committee agreed actions; (ii) ADB-Government agreement on service level standards (e.g. standard processing times) for procurement and disbursement transaction milestones with semi-annual performance reporting; and (iii) application of project readiness filters, emphasizing advance consultant recruitment and detailed engineering design preparation to enable faster project start-up and timely delivery of development results.

IV. NEXT STEPS

25. To review the above-mentioned issues ADB and MPI will organize a series of TPRM meetings in April 2018. The meeting program and format will be decided by the end of March. Meetings will be co-chaired by a Vice Minister (or equivalent) and Country/Deputy Country Director VRM. Senior executing agency officials; MPI, MOF, SBV and OOG senior officials; and ADB directors and staff will attend as appropriate. Time-bound action plans to address systemic and project-specific issues will be agreed at the meetings.

26. A worksheet summarizing projects and issues prioritized for discussion during the TPRM is in Appendix 1.

27. ADB will prepare the draft TPRM Aide Memoire/Memorandum of Understanding (MOU) documenting key issues discussed and decisions reached, for endorsement by OOG, MPI, Government agencies met during the mission, and ADB. ADB proposes that this TPRM will form the basis to proceed to a meeting with the ODA National Steering Committee chaired by Deputy Prime Minister to discuss critical outstanding issues in mid-2018.

Attachment 1: 2018 First Tripartite Portfolio Review, Projects and Issues

	Loan / Grant No.	Name	EA/IA	Original Closing Date	Issue for Discussion			Issues	Notes
					ODA Budget Gap (\$ million)	Cancellation (\$ million)	Extension/ Restructuring (date proposed)		
1	3161/8286	Ha Noi and Ho Chi Minh City Power Grid Development Sector Project	EA: Hanoi Power Corporation (EVN Ha Noi), Ho Chi Minh City Power Corporation (EVN HCMC)	31 Dec 2020	--	80.0	--	Estimated \$80-\$90 mil surplus after all approved subprojects awarded. EAs propose surplus loan proceeds are used to finance additional subprojects. MOF indicated it does not support. EA and project team will follow up with MOF on this issue during the April 2018 midterm review.	
2	3374	Power Transmission Investment Program - Tranche 3	EA: National Power Transmission Corporation IA: Central Viet Nam Power Projects Management Board, Southern Vietnam Power Projects Management Board	30 Jun 2020	--	50.0	--	10-year MMF period expiring and MMF guidelines preclude new subprojects. Straightforward cancellation sought. Amendment of Subsidiary Loan Agreement for inclusion of VDB still pending with MOF.	
3	2741/3363/3364	Ha Noi Metro Rail System Project (Line 3: Nhon-Ha Noi Station Section)	EA: Ha Noi People's Committee IA: Hanoi Metropolitan Railway Management Board	30 Jun 2018 31 Dec 2019	12.0	--	L2741: 31 Dec 2022 L3363/3364: 31 Dec 2022	L2741: Extension from 30 June 2018 to 31 December 2022 L3363/3364: Extension from 31 December 2019 to 31 December 2022	
4	3235/8291	Strengthening Sustainable Urban Transport for Ha Noi Metro Line 3	EA: Ha Noi People's Committee IA: Ha Noi Transport Construction Investment PMU, Department of Transport and Urban Public Works	30 Jun 2019	--	--	30 Jun 2022	Extension from 30 June 2019 to 30 June 2022 together with associated 2741/3363/3364	

	Loan / Grant No.	Name	EA/IA	Original Closing Date	Issue for Discussion			Issues	Notes
					ODA Budget Gap (\$ million)	Cancellation (\$ million)	Extension/ Restructuring (date proposed)		
5	2750/ 2751	University of Science and Technology of Hanoi Development (New Model University) Project	EA: Vietnam Academy of Science and Technology	30 Jun 2018	--	13.0	30 Jun 2023	EA proposed \$13 million cancellation extension to 2023. ADB has approved extension but still pending with government. Request with Prime Minister (21 Dec 2017-2588/VHL-KHTC21). MPI coordinating with MOF, SBV and other oversight agencies regarding government decision	
6	2703 3317	Second Northern GMS Transport Network Improvement Project & Additional Financing	EA: Ministry of Transport IA: Thang Long PMU	30 Jun 2019	5.39	30.0 (L3317)	L2703: 30 Jun 2019 L3317: 30 Jun 2020	L2703: 30 months L3317: 12 months	Loan 2703: An extension of 24 months is retroactively approved by ADB. Another extension of 6 months will be required to enable additional and emergency works Loan 3317: if the loan savings is utilized, an extension of 24 months is required instead of 12 months as being proposed by PMU TL Possibly, there will be no shortfall. According to the project team's projection, 2018's disbursement of 2703 and 3317 will around \$20 million while MOT's allocation (MOT's Notification No. 207/BGTVT – KHDT dated 8 January 2018) is 420 BVN (\$ 20 million equiv.). This needs to be confirmed during the TPRM

	Loan / Grant No.	Name	EA/IA	Original Closing Date	Issue for Discussion			Issues	Notes
					ODA Budget Gap (\$ million)	Cancellation (\$ million)	Extension/ Restructuring (date proposed)		
7	3391/2730	GMS Ben Luc-Long Thanh Expressway Project - PFR 1 & 2	EA: Vietnam Expressway Corporation	30 Jun 2019	--	34.0 (PRF1) 103.4 (PFR2)	--	EA request (to ADB on 5 March 2018) to use \$20.4 million surplus ADB financing for toll plazas and equipment (additional works). The proposed works and equipment are currently to be financed by JIMPI, VEC and JICA. Consultation with these three agencies is required to enable a decision by April.	
8	2988	GMS Southern Coastal Corridor Project - Additional Financing	EA: Vietnam Road Administration, Ministry of Transport IA: Cuu Long Corporation for Investment, Development and Project Management of Infrastructure	30 Jun 2019	--	TBD	--	Proposed cancellation amount to be determined and added to TPRM main text.	
9	3013	Central Mekong Delta Region Connectivity Project	EA: Ministry of Transport IA: Cuu Long Corporation for Investment, Development and Project Management of Infrastructure	30 Jun 2020	--	--	31 Dec 2021	18-month extension. Inclusion of Component 4 (Long Xuyen bypass) being discussed.	
10	2920/8273	Public-Private Partnership Support Project	EA/IA: Ministry of Planning and Investment	31 Jun 2019	--	15.0	31 Mar 2020	It is necessary to expedite processing loan extension ASAP for signing the consultancy services to support North South Expressway sub-projects. Discuss measure to accelerate implementation, including	

	Loan / Grant No.	Name	EA/IA	Original Closing Date	Issue for Discussion			Issues	Notes
					ODA Budget Gap (\$ million)	Cancellation (\$ million)	Extension/ Restructuring (date proposed)		
								supporting unsolicited proposals. Potential PPP projects for batch 2 shall be discussed during April 2018 joint ADB/AFD midterm review mission to identify projects that can be supported immediately. Consultation to be conducted with related Authorized State Agencies. Cancellation amount to be confirmed after that. In view of the time remained, it is anticipated that \$15 – 18 million will be cancelled in Q3/2018.	
11	2968	Low Carbon Agricultural Support Project	EA: Ministry of Agriculture and Rural Development IA: Agricultural Projects Management Board	30 Jun 2019	--	up to 30.0	30 Jun 2020	\$30 million cancellation in Q3 is proposed. Component 2 (Credit Line) is progressing slowly because two existing FIs are unable to implement the credit line. A new FI proposed at MTR, Viet Nam Bank for Social Policy is not willing to participating under the terms of the sub-lending agreement (with MOF).	
12	3044	Secondary Cities Development Project	EA: Quang Nam, Ha Tinh, Dak Lak	31 Jul 2019	7.9	2.2		Need to confirm 2018 ODA budget shortfall for Quang Nam and for Ha Tinh. (\$15 m initially identified)	
13	2969	GMS Corridor Towns Development Project	EA: Quang Tri, Tay Ninh	30 Jun 2019	-	20	1 year needed (6mo to physically complete works and	Cost reallocation proposed. Includes the use of \$8.5 million from loan proceeds to cover LAR costs increase.	

	Loan / Grant No.	Name	EA/IA	Original Closing Date	Issue for Discussion			Issues	Notes
					ODA Budget Gap (\$ million)	Cancellation (\$ million)	Extension/ Restructuring (date proposed)		
							6mo. to close accounts)	Cancellation of unallocated funds amounting to \$20 million EA kept on using surplus funds for new subprojects	
14	3173	Integrated Rural Development Sector Project in the Central Provinces – Additional Financing	EA/IA: Ministry of Agriculture and Rural Development	30 June 2019	-	0	No extension/ restructuring is required.	There is a shortage of medium-term ODA budget allocation of about \$23 million. An ODA budget reallocation proposal was submitted by MARD to MPI on 8 March 2018 to cover the project shortage of medium-term ODA budget to finance the additional civil works, which have been approved by MARD and accepted by ADB.	
Other Issues				Status /Agreed Action			Timeline	Responsible Agency	
Establishment of an inter-ministerial monitoring team to ensure implementation of TPRM and ODA National Steering Committee agreed actions									
Service level standards (for procurement and disbursement transactions)									
Project readiness filters									