



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/VIETNAM'S COMPETITIVENESS INITIATIVE PHASE II

AUDIT REPORT NO. 5-440-11-007-P
MAY 27, 2011

MANILA, PHILIPPINES



Office of Inspector General

May 27, 2011

MEMORANDUM

TO: USAID/Vietnam, Mission Director, Francis A. Donovan

FROM: Acting Regional Inspector General/Manila, William S. Murphy /s/

SUBJECT: Audit of USAID/Vietnam's Competitiveness Initiative Phase II
(Audit Report No. 5-440-11-007-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we considered your comments on the draft audit report and included the comments in their entirety in Appendix II.

The audit report contains four recommendations to assist the mission in improving its oversight and management of the Vietnam Competitiveness Initiative Phase II. On the basis of information provided by the mission in response to the draft report, we determined that management decisions have been reached on Recommendations 1, 2, and 3, and final action has been taken on Recommendation 4. Please provide the Audit Performance and Compliance Division of USAID's Office of the Chief Financial Officer with evidence of final action to close the open recommendations.

I want to thank you and your staff for the cooperation and courtesies extended to us during this audit.

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Abbreviations

The following abbreviations appear in this report:

COTR	contracting officer's technical representative
M&E	monitoring and evaluation
MPI	Ministry of Planning and Investment
PCI	Provincial Competitiveness Index
PPP	public-private partnership
VCCI	Vietnam Chamber of Commerce and Industry
VNCI-I	Vietnam Competitiveness Initiative Phase I
VNCI-II	Vietnam Competitiveness Initiative Phase II

SUMMARY OF RESULTS

Vietnam is entering a crucial stage in its transition from a centrally planned socialist economy to an internationally competitive market economy. Accordingly, Vietnam is focusing on good economic governance and the creation of civil society institutions and public-private partnerships to improve the business environment and to upgrade the competitiveness of domestic and foreign enterprises in Vietnam. To complement these efforts, USAID is implementing activities at both the national and provincial levels to (1) strengthen the regulatory system to reduce the costs and risks of doing business in Vietnam for citizens and businesses, (2) support the development and financing of infrastructure to improve public services, and (3) increase the government and private sector's understanding of key issues related to competitiveness.

USAID has provided technical assistance to enhance Vietnam's competitiveness since 2001. The first effort was a pilot project, followed by the larger Vietnam Competitiveness Initiative Phase I (VNCI-I) from 2003 to 2008. VNCI-I worked in the areas of policy reform and economic governance. Although legal reforms have been major achievements under the program, the implementation of regulations and administrative procedures to enhance competitiveness has been poor at both the national level and in the provinces, where enterprises interact daily with government officials. To address this problem, USAID/Vietnam awarded a 4½-year, \$12.4 million task order contract to the DAI/Nathan Group, covering the period from October 1, 2008, through February 28, 2013, to implement VNCI-II. As of September 30, 2010, \$7.8 million had been obligated and \$4.9 million had been spent for VNCI-II activities.

The objective of the audit was to determine whether VNCI-II is making progress in achieving its main goals.

The audit found that the program is making progress in achieving its main goals by assisting the Government of Vietnam in strengthening the regulatory system to reduce the costs and risks of doing business in Vietnam, supporting the development and financing of infrastructure to improve public services, and increasing the government and private sector's understanding of key competitiveness issues. To achieve its goals, the program is focusing on four activities: (1) simplifying administrative procedures, (2) conducting regulatory impact assessments, (3) building capacity for developing and financing infrastructure, and (4) developing the Provincial Competitiveness Index. These four activities are discussed in detail below.

1. **Simplifying Administrative Procedures (Project 30).** Project 30¹ aims to substantially reduce the costs and risks of administrative procedures affecting businesses and citizens by simplifying or abolishing such procedures when possible. The program succeeded in conducting an inventory of 52,639 administrative procedures under Project 30. This led to the approval by the Vietnamese Government of the first package of 258 simplified priority administrative procedures in June 2010 to be implemented by changes to existing legislation. These legislative

¹ Project 30 is a name derived from the Prime Minister's Decision No. 30, which approved the simplification of administrative procedures in Vietnam.

changes are designed to save businesses an estimated \$294 million per year in compliance costs. Most notable is the establishment of a Web-based national database of administrative procedures, which has been directly benefiting businesses and citizens of Vietnam. Prior to Project 30, administrative procedures in Vietnam had never been inventoried, and their exact number was unknown. This is the country's first centralized database for all administrative procedures at all levels of government.

This database will provide businesses and citizens with full access to all administrative procedures online, making the regulatory environment more transparent and leading to more favorable conditions for business. A high-ranking government official commented to the audit team that this national database is “[a] gift from the American people.”

Another achievement of Project 30 is the creation of the Administrative Procedure Control Agency, the government's first permanent centralized unit designed to review the flow of new regulations and manage the national database. This agency is to lay the foundation for a regulatory system in Vietnam that will provide quality control for the administrative procedures, build capacity for formulating better regulations, and sustain reform results.

Finally, Project 30 supported the establishment of the Advisory Council for Administrative Procedure Reform, whose 15 members are appointed by the Prime Minister and come from foreign and domestic business associations. This advisory council is to guide, participate in, and promote administrative simplification. The council was established in an effort to shift to a client-oriented, service-driven administration—the first such institutional mechanism for private sector participation in the regulatory system in Vietnam.

2. **Conducting Regulatory Impact Assessments.** Complementary to Project 30, the use of regulatory impact assessments is designed to strengthen the regulatory system in order to reduce the costs of doing business in Vietnam. The regulatory impact assessment is a tool that aims to improve the quality of business regulations by formally assessing the costs and benefits of regulations. With support provided by the program, Vietnam became the first Association of Southeast Asian Nations country to use such assessments.

Under the program, the use of regulatory impact assessments has become a legislative requirement. As of January 1, 2009, all laws, ordinances, and decrees were required to have such assessments conducted to improve the quality of laws and policies in Vietnam. These assessments, which entail economic policy analysis and public consultation, help create more efficient and effective regulations with higher compliance rates, fewer burdens on citizens and businesses, and better use of limited government resources. For instance, one regulatory impact assessment led to the removal of one law's burdensome residency requirement for citizens. Overall, this new economic governance tool has made elected representatives in the National Assembly more discerning in drafting and approving regulations, which should improve the regulatory climate in Vietnam.

The most important contribution of regulatory impact assessments to the reform process of Vietnam is the assurance of transparency and consultation with

stakeholders in the law-making process. Until recently, Vietnam had no systematic approach to consultation or to ensuring that state agencies respond to the information collected in such consultations. Regulatory impact assessments require consultation with stakeholders to ensure transparency in the law-making process.

- 3. Building Capacity for Developing and Financing Infrastructure.** The lack of financing for adequate infrastructure in Vietnam is a major competitive disadvantage for enterprises and the country as a whole. To address this deficiency, the program has been working with the Ministry of Planning and Investment (MPI) in developing new rules and concepts for public-private partnerships (PPPs) to create a new market for private sector infrastructure services and investment. Specifically, the program and MPI have been developing the legal framework for PPP investments in Vietnam's infrastructure—in utilities, airports, ports, roads, urban transport, and industrial parks.

On November 9, 2010, the Prime Minister approved the implementation of a legal framework for pilot PPP investments. Under this new framework, the program proposed two new entities: the Infrastructure Development Facility, to develop projects that accord with Vietnam's strategic priorities and meet international investor financing requirements, and an Infrastructure Financing Fund to finance projects through debt and equity markets with funding sources from private investors and donors. At the time of the audit, discussions were under way regarding the implementation of the proposed entities.

The benefits of this proposed market-based approach include greater transparency and improved governance in the procurement of infrastructure, higher rates of capital mobilization from debt and equity markets, lower transaction costs and higher efficiency for business operations for all enterprises, and greater efficiency in service delivery across Vietnam.

- 4. Developing the Provincial Competitiveness Index (PCI).** The program and the Vietnam Chamber of Commerce and Industry (VCCI) use the PCI to assess and rate provinces by the quality of their economic governance for private sector development. The PCI rates the performance, capacity, and willingness of provincial governments to develop business-friendly regulatory environments for private sector development. Further, the index helps explain why some parts of the country perform better than others in job creation and economic growth. The PCI is Vietnam's first index measuring the economic governance capacity of all 63 provincial authorities, representing the voice of the private sector about the provincial business and regulatory environment. Provincial and national leaders consider this index a useful tool to monitor the progress of their reforms and to inspire provincial governments to improve their economic governance and competitiveness. Recently, the program launched an annual report that represents about 10,000 business leaders and provides support for key reform initiatives such as Project 30, public administration reform, and decentralization. Survey results in the latest annual report show that Vietnam continues to make progress in administrative reform. (See Appendix III for a map of competitiveness ratings by province.)

Despite these accomplishments, the audit identified the following issues that need to be addressed:

- The program lacked approval as required by Government of Vietnam regulations (page 5).
- The program's monitoring and evaluation (M&E) plan was not in compliance with the task order (page 6).
- The contractor's program performance reporting needed improvement (page 8).

The report recommends that USAID/Vietnam:

1. Develop and implement a clear plan of action to expedite the program approval process of the VNCI-II program as required by Vietnamese regulations (page 6).
2. Work with the contractor to finalize and approve an M&E plan that includes expected results with illustrative indicators, midterm milestones and benchmarks, and end-of-project results, along with clear definitions, data sources, and collection methodologies for each indicator (page 7).
3. Revise its performance management plan to be consistent with the approved M&E plan (page 7).
4. Amend the VNCI-II task order contract to require the contractor to submit periodic progress reports that clearly convey key activities completed, compare achievements with targets for program indicators, and discuss implementation problems and options for resolving them (page 8).

Detailed findings follow. Our evaluation of management comments appears on page 9. Appendix I describes the audit's scope and methodology. The mission's written comments on the draft report are included as Appendix II.

AUDIT FINDINGS

Program Lacked Approval as Required by Government of Vietnam Regulations

On November 9, 2006, the Government of Vietnam issued a regulation on the “Management and Utilization of Official Development Assistance,” known as Decree 131. Article 7, Section 2 sets forth procedures for developing and approving a list that prioritizes programs and projects, with attachments containing specified information for each listed program and project. The Ministry of Planning and Investment takes the lead role in selecting programs and projects, in coordination with relevant agencies and donors, and is responsible for submitting the list to the Prime Minister for approval.

USAID/Vietnam and the contractor acknowledged the decree. In response to a letter from an MPI official in September 2009, USAID/Vietnam agreed that it would consult with counterparts in developing such program documents. The contractor’s Year 1 work plan reflected that the programs implemented with the above-mentioned counterparts required formal government approval. In addition, the contractor noted in its Year 1 progress reports that the government had requested such approval procedures to be carried out because the program was dealing with the most sensitive programs of the Office of Government, which was continually questioning the program’s legality.

However, 3 years into implementation, the program had not yet been approved by the government. This delay resulted from the lengthy process of identifying appropriate counterparts for program activities and preparing program documents for the counterparts. Complicating the process, USAID and the contractor lacked clarity regarding their roles—e.g., who should take the lead in obtaining program approvals from the government—because the program’s contract does not specifically address this issue.

According to the mission, the program was conceived as one master program that would work with one counterpart for easier coordination and management purposes. However, the program has an array of activities that involve multiple counterparts. Therefore, USAID and its contractor must submit separate documents to the MPI for review and approval by the Prime Minister. The mission did not anticipate these changes in the second phase of the program, which resulted in USAID and its contractor working with multiple counterparts to prepare separate program documents for each.

Since the inception of the program, the contractor has been in consultation with MPI to obtain guidance on the preparation of the required program documents. In March 2009, MPI notified the contractor that the Office of Government would prefer four separate program approvals (one each for the Office of Government, the Ministry of Justice, MPI, and VCCI). As of April 2010, contractor officials had submitted the final drafts of program documents to MPI and were waiting for final approval. However, because of further changes in the government approval process, approval by the Prime Minister has been delayed further.

Although there has been no negative impact to date as a result of the delay in government approval, future program activities could be delayed. In fact, the delay has set back by 3 months implementation of another mission-funded program,² potentially preventing that program from accomplishing all its objectives by the end of its implementation period. In addition, if that program needs to be extended because of these program implementation delays, the mission believes that the extension could have cost implications. Therefore, this audit makes the following recommendation.

Recommendation 1. *We recommend that USAID/Vietnam develop and implement a clear plan of action to expedite the approval process of the Vietnam Competitiveness Initiative Phase II with the Government of Vietnam.*

Monitoring and Evaluation Plan Was Not in Compliance With the Task Order

USAID/Vietnam's VNCI-II task order required the contractor to develop and execute an M&E plan in consultation with the contracting officer's technical representative (COTR). Furthermore, the task order required the M&E plan to include expected results with illustrative indicators, midterm milestones or benchmarks, and end-of-project planned results, along with data sources and collection methodologies for each indicator.

However, the M&E plan that the contractor submitted in November 2008—the COTR did not know at the time of the audit whether the submitted plan had been approved by USAID—did not comply with the task order. The document submitted was a seven-page table listing the program's activities in three columns under the headings of activity, output, and outcome. The table included no illustrative indicators, midterm milestones or benchmarks, or end-of-project planned results, nor did the table note data sources and collection methodologies. Moreover, the plan did not include the seven performance indicators that the contractor is required to report to the mission. As a result, data validation was problematic.

Lacking the elements specified above, the M&E plan had unclear performance indicators and lacked clear data collection methodologies. The contractor reported the same data for Performance Indicators 1 and 3 for Year 1, even though the indicators appeared to report on different activities. Performance Indicator 1 was to track the *Number of executive branch personnel trained with U.S. Government assistance*, while Performance Indicator 3 was to track the *Number of individuals who received U.S. Government-assisted training, including management skills and fiscal management, to strengthen local government and/or decentralization*. The contractor considered both indicators to have the same measure—the number of government and private sector participants. However, according to the COTR, Performance Indicator 1 pertained to participants from the host government's executive branch (ministerial and local government personnel), while Performance Indicator 3 pertained to all participants (government and private sector). This confusion occurred because the M&E plan lacked clear definitions of the performance indicators to guide the contractor in data collection and reporting.

² This other program operates in the area of rule of law and human rights.

Another example of an unclear performance indicator is illustrated by Performance Indicator 4 for Year 2, which was to measure the *Number of PCI related reform initiatives*, but instead included various data, such as the numbers of workshops conducted and reports prepared. For this indicator, 24 Provincial Competitiveness Index reform “initiatives” were reported as having been completed; however, the audit found that 14 of these were just diagnostic workshops conducted by various provincial governments to address the results of a PCI survey; 7 were reports or plans prepared by various provincial governments to address survey results; and 3 others were miscellaneous items, such as a survey among ministries (to be conducted by another donor) and a United Nations Development Programme report. According to the COTR, all these activities were triggered by the PCI initiatives of the program, but the M&E plan did not clearly define “PCI-related reform initiatives,” which could cause confusion as to what should be counted.

In addition, the contractor’s lack of a clear data collection methodology led to inconsistent data collection. For example, data reported by the mission under Performance Indicators 1 and 3 included 435 participants for the training conducted for members of the ministerial and provincial task forces on Project 30. The contractor disclosed that for these data it had sometimes used estimated figures arrived at by assuming an average of 5 participants for each of the 87 task forces. However, there was no clear basis for using an estimate instead of the actual number. Some indicators used actual numbers while others used estimates, resulting in inconsistent data collection.

The contractor did not develop an M&E plan in conformance with task order requirements because the contractor believed that the mission had higher priorities, such as determining the program’s specific performance indicators, preparing annual work plans, and compiling results to be reported in the mission’s annual performance plan and report. According to the mission, an approved plan was not an issue because the mission had a performance management plan for tracking progress against performance indicators, which were then reported in the annual report and in semiannual portfolio reviews. However, the performance management plan also lacked clear definitions of performance indicators. An updated M&E plan was submitted to the mission on November 24, 2010, and was being reviewed at the time of the audit.

To measure performance effectively and make informed management decisions, missions must ensure that quality data are collected and reported. Without properly prepared and approved plans, the mission’s ability to monitor and evaluate the program effectively and to hold the contractor accountable for achieving planned activities on schedule was impaired. Therefore, this audit makes the following recommendations.

Recommendation 2. *We recommend that USAID/Vietnam work with the contractor to finalize and approve a monitoring and evaluation plan that includes expected results with illustrative indicators, midterm milestones or benchmarks, and end-of-project results, as well as clear definitions, data sources, and collection methodologies for each indicator.*

Recommendation 3. *We recommend that USAID/Vietnam revise its performance management plan to be consistent with the approved monitoring and evaluation plan.*

Program Performance Reporting Needed Improvement

To help ensure that projects deliver their planned outputs and meet their overall objectives, missions are expected to follow the performance management steps outlined in Automated Directives System 203.3.2. The four principal steps in performance management are (1) establishing a performance management framework that identifies intended results, with concurrent planning to monitor and evaluate progress toward those results, (2) collecting and analyzing performance information to track progress toward planned results, (3) using performance information to influence program decision making and resource allocation, and (4) communicating results achieved, or not achieved, to advance organizational learning and tell USAID's story.

The contractor submitted monthly reports as required by the task order contract with the mission, but these progress reports did not convey a complete picture of the progress made toward achieving planned results. The monthly reports were only several pages long, generally contained brief descriptions of current activities, and did not track progress against targets. In addition, the contractor submitted quarterly reports, although the task order contract does not require them. However, the quarterly reports did not compare accomplishments with established annual performance indicator targets; the reports merely listed completed and upcoming activities. This lack of monthly or quarterly tracking of results occurred because the contract does not require tracking by month or quarter.

As a result of the contractor's limited progress reporting, the mission and the contractor did not have all the information needed to monitor effectively and assess whether the contractor was achieving planned results of the performance indicators on schedule. Further, the absence of at least quarterly monitoring of the program's accomplishments against performance indicator targets deprived the mission of critical information needed to determine whether the program was achieving planned outputs, and could lead decision makers to erroneous conclusions regarding program results. In addition, the mission's ability to identify potential implementation problems, initiate corrective actions early, and make informed decisions for the program was reduced. Therefore, this audit makes the following recommendation.

Recommendation 4. *We recommend that USAID/Vietnam amend the Vietnam Competitiveness Initiative Phase II task order contract to require the contractor to submit periodic progress reports that clearly convey key activities/initiatives accomplished, achievements versus targets of program indicators, and outstanding issues and implementation problems and options for resolving them.*

EVALUATION OF MANAGEMENT COMMENTS

The Office of the Inspector General reviewed the mission's response to the draft report and determined that management decisions have been reached on the first three recommendations and that final action has been achieved on the fourth.

The status of each of the four recommendations is discussed below.

In its response to Recommendation 1, the mission stated that after several iterations, it had received the final program documents on April 15, 2011, from three of its four counterparts. The mission has been working with MPI on the approval process, and the documents are ready for submission to the Prime Minister for approval. Regarding the document from the fourth counterpart, the Ministry of Justice is currently reviewing the latest version and plans to submit it to MPI in May 2011. When it receives all four documents, MPI will request project approval from the Prime Minister. Implementation of the proposed actions is expected to be completed by June 30, 2011. Therefore, a management decision has been reached on this recommendation.

In its response to Recommendation 2, the mission expressed concern about the wording of two sentences in the finding. Therefore, we slightly revised the wording to address those concerns. The mission agreed with the recommendation and is working with the contractor in revising the M&E plan to reflect the requirements in the task order. Implementation of the proposed actions is expected to be completed by May 30, 2011. Therefore, a management decision has been reached on this recommendation.

In its response to Recommendation 3, the mission stated that it is updating the performance management plan and expects to complete the update by May 30, 2011. Therefore, a management decision has been reached on this recommendation.

In its response to Recommendation 4, the mission disagreed with the recommendation because it believed that the contractor's reporting under the program was sufficient to enable adequate monitoring of the program. We considered the mission's reasoning and believe that by implementing Recommendations 2 and 3 of this report along with the mission's current reporting regimen, which includes twice-yearly reviews of data for the indicators, the mission has adequately addressed our concerns regarding the reporting of program performance. Therefore, we determined that final action has been taken on this recommendation.

SCOPE AND METHODOLOGY

Scope

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objective. We believe that the evidence obtained provides that reasonable basis.

The purpose of this audit was to determine whether VNCI-II is achieving its main goals of strengthening the regulatory system, supporting the development and financing of infrastructure, and increasing understanding of key issues related to competitiveness on the part of the government and the private sector.

To implement the program, USAID/Vietnam awarded a 4½-year, \$12.4 million contract to the DAI/Nathan Group³ covering the period from October 1, 2008, through February 28, 2013. As of September 30, 2010, \$7.8 million had been obligated and \$4.9 million had been spent for VNCI-II activities. Audit fieldwork was performed from November 15 to December 8, 2010, in Hanoi, Vietnam, as well as in multiple locations in Ninh Thuan and Da Nang Provinces. The audit covered activities from the inception of the program on October 1, 2008, until September 30, 2010.

In planning and performing the audit, the audit team assessed relevant controls used by the mission to manage the program and ensure that the contractor was providing adequate oversight of program activities. These controls included maintaining regular contact with the contractor, as well as obtaining and reviewing monthly and quarterly progress reports, which provided a narrative overview on the status of activities in each of the regions covered under the program, including any significant issues or new developments. Additionally, the auditors examined the mission's fiscal year 2009 annual self-assessment of management controls, which the mission is required to perform to comply with the Federal Managers' Financial Integrity Act of 1982,⁴ to check whether the assessment cited any relevant weaknesses.

Methodology

To determine whether the program was achieving its main goals, we met with personnel from USAID/Vietnam, the contractor, and various government officials from the national and provincial levels participating in the activities under the program. We reviewed relevant program and management control documents produced by the mission, such as the performance management plan and operational plan, and results-reporting documentation such as the annual portfolio review documents. We also reviewed documents prepared by the contractor, such as annual work plans and progress reports.

³ A joint venture between Development Alternatives, Inc., and Nathan Associates Inc.

⁴ Public Law 97-255, as codified in 31 U.S.C. 3512.

To assess whether planned results were achieved, we focused on seven key performance indicators included in the mission's performance management plan. We conducted interviews with mission and contractor staff regarding processes for collecting, verifying, and reporting performance results.

We validated reported program performance results for fiscal years 2009 and 2010 by tracing mission-reported results such as the annual portfolio review data back to the records maintained at the contractor's office in order to support the results claimed. In addition, we conducted two site visits to observe program-related activities being carried out at the provincial and district levels.

MANAGEMENT COMMENTS



May 6, 2011

MEMORANDUM

TO: Regional Inspector General/Manila, Bruce N. Boyer
FROM: Mission Director, Francis A. Donovan, /s/
SUBJECT: Mission Response to the Audit of USAID/Vietnam's Competitiveness Initiative Phase II (VNCI-II) Program (Audit Report No. 5-440-11-0XX-P)

Thank you for the opportunity to respond to the draft audit report regarding USAID/Vietnam's Competitiveness Initiative Phase II (VNCI-II) Program, Audit Report No. 5-440-11-0XX-P.

The stated objective of this audit was to determine whether USAID/VNCI-II is making progress in achieving its main goals of strengthening the regulatory system, supporting the development and financing of infrastructure, and increasing the government and private sector's understanding of key issues of competitiveness. The overall conclusion was that the program is making progress in achieving its main goals. However, there are still some issues that need to be addressed. USAID/Vietnam responses are below and include corrective actions taken.

Recommendation 1: We recommend that USAID/Vietnam develop and implement a clear plan of action to expedite the approval process of the Vietnam Competitiveness Initiative Phase II program with the Government of Vietnam.

Management Response: We agree with the recommendation to expedite the approval process. On April 15, 2011, after several iterations of project documents, the Ministry of Planning and Investment (MPI) confirmed that they have received the final project documents from the Office of Government of Vietnam, Ministry of Planning and Investment and the Vietnam Chamber of Commerce and Industry. Those documents are ready for submission by MPI to the Prime Minister for approval, and USAID is working with MPI on the approval process.

The Mission Director met with Mr. Nguyen Xuan Tien, Deputy Director of the Foreign Economic Relations Department (FERD) of the Ministry of Planning and Investment (MPI), on March 30, 2011 and with Mr. Ho Quang Minh, Director of FERD at MPI, on April 15, 2011. In these meetings with the officials from MPI/FERD, the coordinating

body for ODA project approval, the Mission Director raised the VNCI approval issue to their attention and asked for ways to expedite the approval process. In the March 30th meeting, MFI/FERD advised that the department already received the proposal from Office of Government (OOG) for the Administrative Procedures Reform, and was waiting for three proposals from the Ministry of Justice (for the Regulatory Impact Assessment (RIA) component), Vietnam Chamber of Commerce and Industry (VCCI) (for the Provincial Competitive Index component) and MPI (for the infrastructure component). At the second meeting on April 15, the MPI/FERD official informed USAID that the only pending proposal was from the Ministry of Justice (MOJ) for the RIA component. Currently, the MOJ is reviewing the latest project document and stated that if they do not have any further issues, they will submit it to MPI in May 2011. MPI noted that when all four proposals are received, MPI will make a request to the Prime Minister for project approval. We anticipate project approval by June 30, 2011.

Recommendation 2: We recommend that USAID/Vietnam work with the contractor to finalize and approve a monitoring and evaluation plan that includes expected results with illustrative indicators, midterm milestones/benchmarks, end-of-project results, clear definitions, data sources, and collection methodologies for each indicator.

Management Response: The Mission disagrees with the statement on Page 6 that “neither the mission nor the contractor conducted periodic reviews to monitor the progress of work”. USAID Economic Growth Office staff monitor the progress of work by the VNCI Project through regular meetings/telephone calls with the contractor to discuss implementing issues; weekly updates from the contractor to EG staff to elaborate on the work done during the week and planned work for the following period; monthly reports to summarize what has been achieved during the month; and quarterly reports where implementing progress is reported against the work plan and descriptions of each event is provided with number of participants. Attached are examples of the weekly, monthly and quarterly reports we receive from the project and discussed with the Auditor Team during their visit.

Regarding the Custom Indicator 4: “Number of PCI related reform initiatives”, this measures the number of diagnostic workshops, provincial development plans, and surveys derived from utilizing the PCI methodology; an example of a survey derived from using the PCI methodology is the Public Administration Performance Index (PAPI) from UNDP that measures citizens’ viewpoints at the provincial level. There is no confusion by USAID and VNCI on what to measure when calculating this custom indicator. Attached are spreadsheets containing the PCI related reform initiatives for 2009 and 2010.

We agree with the recommendation that the M&E Plan should be revised to the Task Order’s requirements. USAID is working with the Contractor to do this. USAID/Vietnam understands the importance of the indicators, targets and results besides the program outcomes and impacts. It is worth noting that improvement has been made on indicator reporting for year 2 compared to year 1. We anticipate completion of this recommendation by May 30, 2011.

Recommendation 3: We recommend that USAID/Vietnam revise its performance management plan to be consistent with the approved monitoring and evaluation plan.

Management Response: We agree with this recommendation, and USAID/Vietnam is currently updating the PMP for the VNCI program. Actions should be completed by May 30, 2011.

Recommendation 4: We recommend that USAID/Vietnam amend the Vietnam Competitiveness Initiative Phase II task order contract to include the requirement for the submission by the contractor of periodic progress reports that will clearly convey key activities/initiatives accomplished, achievements versus targets of program indicators, and outstanding issues and implementation problems and options for resolving these issues and problems.

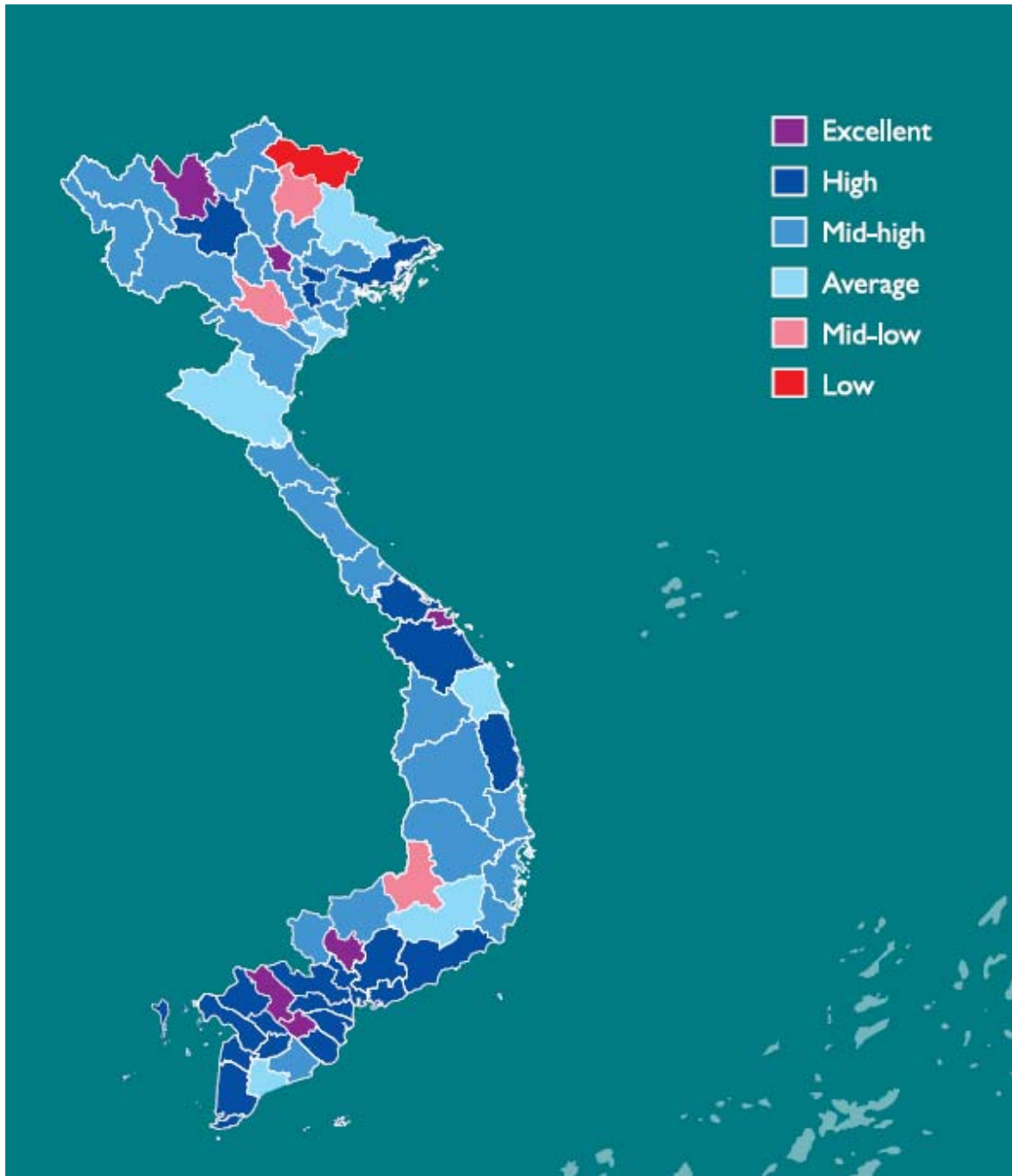
Management Response: We do not agree with this recommendation.

On page 8 under the Program Performance Reporting Needs Improvement section, paragraph 3 – it states, “Owing to the contractor’s limited progress reporting, the mission and the contractor did not have all the information needed to effectively monitor and assess whether the contractor was timely achieving planned results of the performance indicators.”

As discussed with the Audit Team during their visit, the contractor provides the EG Office with valuable progress reports and is currently exceeding the reporting requirements of the contract. The contract states, “The Contractor shall, on a monthly basis (unless the frequency is later modified), provide USAID with brief progress reports (one to two pages executive summaries at most, with any elaboration as a removable attachment) highlighting key project initiatives/activities, upcoming events and international missions. Concurrently, the Chief of Party (or designee) shall note other critical issues/factors which may hinder achievement of work plan objectives, contract benchmarks, or budget goals for the balance of the year. In addition, the Contractor shall report success stories that describe in concrete terms the achievements/benefits of a particular activity.”

Currently, the project contractor sends us weekly and monthly reports that contain all information on the activities as required by the contract. In addition, the project sends us detailed quarterly reports to assist the EG Office in monitoring the results of the project against its stated goals. The planned indicator outputs are one component when evaluating the project’s results. To monitor planned versus actual indicator outputs, we receive actual data on indicators twice a year from the contractor – during portfolio reviews (spring) and for the Performance Plan Report (fall). Based on the indicator data received at this time, the reports (weekly, monthly and quarterly) received from the contractor, site visits, and frequent meetings with the contractor and GVN counterparts, the Mission feels oversight of the project and information received from all sources is adequate to properly monitor the project’s achievements. We have attached examples of the weekly, monthly and quarterly reports we receive from the contractor

Provincial Competitiveness Ratings, 2009



Source: The Provincial Competitiveness Index 2009 developed by the program and VCCI. This map shows the ratings of the different provinces in terms of job creation and economic growth.

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