

# **GOVERNMENT OF VIETNAM**

## Case Study - Partnerships for M&E Tools in Vietnam

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## Acronyms

ADB	Asian Development Bank
AfD	Agence Française de Développement
AMF	Aligned Monitoring Format
AMT	Aligned Monitoring Tool
AusAID	Australian Agency for International Development
FERD	Foreign Economic Relations Department (of MPI)
GoV	Government of Vietnam
HCS	Hanoi Core Statement (on Aid Effectiveness)
HMT	Harmonised Monitoring Tool
IT	Information Technology
JBIC	Japanese Bank for International Cooperation
KfW	Kreditanstalt für Wiederaufbau (KfW Bankengruppe of Germany)
MARD	Ministry of Agriculture and Rural Development
M&E	Monitoring and Evaluation
MfDR	Management for Development Results
MIS	Monitoring Information System
MPI	Ministry of Planning and Investment
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PMT	Portfolio Monitoring Tool
PMU	Project Management Unit
QA	Quality Assurance
VAMESP II	Vietnam Australia Monitoring & Evaluation Strengthening Project Phase II
WB	World Bank

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# 1 Recent changes to ODA operating environment

The importance of monitoring and evaluation for effective ODA was institutionalised by Government of Vietnam (GoV) in Decree 17 during 2001. Since that time, with support from VAMESP II financed by AusAID, MPI has continued to develop the institutional arrangements, IT tools and systems and human resources required for an operating monitoring and evaluation system. Those changes have now been reflected in Decree 131/2006/NĐ-CP issued on 9 November 2006, which retains the importance of monitoring and evaluation, but increases the roles and responsibilities of PMUs and project owners for these functions. The resources developed by MPI in partnership with major donors during the past 3 years, directly assist the immediate implementation of the monitoring and evaluation provisions of Decree 131.

The past monitoring system focussed on disbursement and reporting of data from the PMU level to the line agency and national levels. These data were shared with donors and used to inform government reports. However, there was not sufficient data to inform management for development results, or to properly monitor ODA efficiency and effectiveness.

The new monitoring system, was developed in partnership with major donors and focuses on monitoring disbursement, process and performance to inform management for development results. An aligned monitoring format is used – that is one that meets the needs of GoV agencies and major donors in Vietnam, especially the 5 Banks that together account for around 80% of ODA.

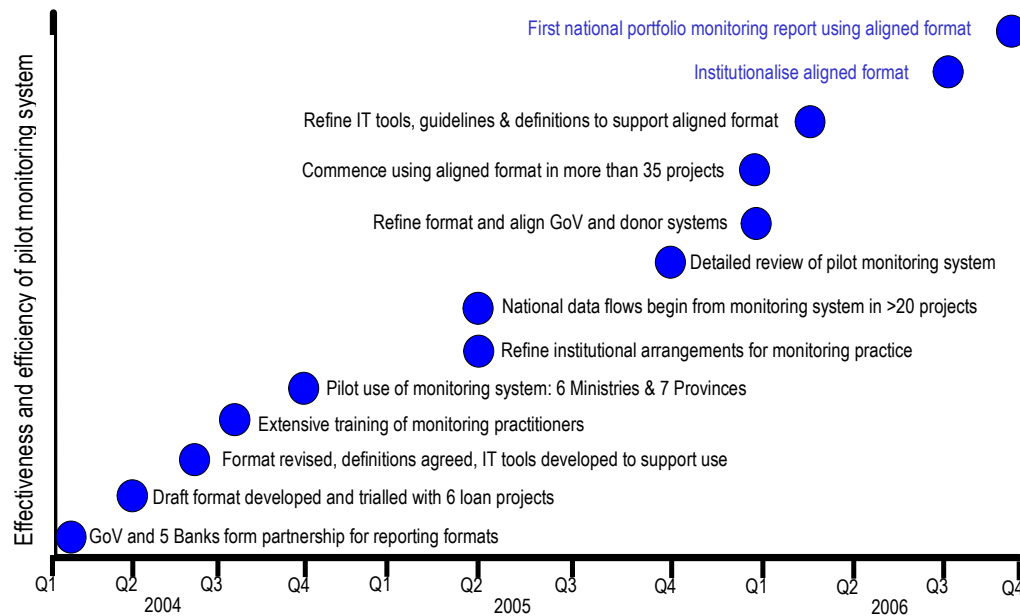
The monitoring and evaluation work of MPI is directly relevant to implementation of the 2006-2010 Socio-Economic Development Plan and is consistent with the commitments made by Government and Donors in the Hanoi Core Statement. Importantly, the development of resources to support implementation of the monitoring system and investment in capacity building activities for line agencies recognises the emerging decentralisation of responsibilities for managing ODA in Vietnam.

## 2 Government and donors working in partnership

Since Q3 2004, MPI and major Donors have worked in partnership to develop and test a monitoring format that met their collective needs. Chart 1 is a schematic presentation of the evolution of the monitoring format that resulted from this partnership. The purpose of this effort was to improve aid effectiveness by providing monitoring data that supported management for development results. The partnership directly addressed the transaction costs identified especially by PMUs – which currently have to present progress reports in different formats to donors and various government agencies. The first step was a harmonised monitoring format agreed between the 5 Banks in Q4 2004 and trialled at that time. Lessons learned from this trial were incorporated into a Harmonised Monitoring Tool that was used during 2005 and early 2006. During 2006, MPI established a Core Team of key government agencies and the 5 Banks to negotiate and test an aligned monitoring format. This format was finalised in Q3 2006 and resulted in the Aligned

Monitoring Tool that was completed in Q3 2006, first used for monitoring performance in Q4 2006 and institutionalised at the same time. The aligned monitoring format and related Aligned Monitoring Tool are an example of leading practice resulting from active partnership between the Government and major donors.

**Chart 1 : Evolution of the monitoring system through partnership**



In an effort to reduce transaction costs and increase the effectiveness of ODA investments, the Government of Vietnam worked with donors to develop and pilot a simplified, harmonised and aligned monitoring format. This is described in Box 1. Consistent with the Hanoi Core Statement, the resulting format is now institutionalised under Decree 131 and already used by more than 40 PMUs, implemented with the Aligned Monitoring Tool (AMT).

**Box 1 : Developing the aligned monitoring format – partnership in practice**

The first step was a harmonised monitoring format agreed between the 5 Banks in Q4 2004 and tested at that time. Lessons learned from this test were incorporated into a Harmonised Monitoring Tool that was used during 2005. The second step happened during late 2005 and early 2006 when MPI and the 5 Banks, with support from VAMESP II, developed and trialled the aligned monitoring format. A Core Team was established with representatives from Ministry of Planning and Investment, Ministry of Finance, Ministry of Construction and Ministry of Natural Resources and Environment as well as the 5 Development Banks (World Bank, JBIC, Asian Development Bank, KfW and AfD). This Core Team worked together to agree on the formats required to monitor ODA disbursement, processes and performance. The purpose was to improve aid effectiveness by providing monitoring data that supported management for development results. The Core Team directly addressed the transaction costs identified especially by PMUs – who used to have to present progress reports in different formats to donors and various government agencies. The aligned monitoring format was finalised in Q3 2006 and resulted in the Aligned Monitoring Tool that was first used for monitoring performance in Q3 2006 and institutionalised at the same time. Completed with significant technical assistance from VAMESP II, the aligned monitoring format and related Aligned Monitoring Tool are an example of leading practice resulting from active partnership between the Government and major donors.

The aligned monitoring format is designed for use with ODA projects financed by the Government and the 5 development banks (ADB, AfD, JBIC, KfW and WB) in Vietnam. A simple IT tool was developed to help use the format – the AMT – which includes 20 forms that provide a report of monthly/ quarterly progress that meets the needs of GOV regulations and major donors. PMUs choose to use those forms relevant to the project they are monitoring. The aligned monitoring format and AMT include the following forms:

- Form 1: Project profile
- Form 2: Progress Report
- Form 3: Progress of Covenants & Conditions
- Form 4: Disbursement of ODA Funds
- Form 5: Imprest/Special Account
- Form 6: Disbursement of GoV Funds
- Form 7: Procurement Plan – Approval Summary
- Form 8: Procurement Plan – Packages
- Form 9: Procurement Plan – Prequalification Process
- Form 10: Procurement Plan - Bidding Process
- Form 11: Summary of Bidding Results
- Form 12: Contract Status
- Form 13: Land Acquisition & Resettlement Plan
- Form 14: Monitoring of Compensation and Resettlement
- Form 15: Implementation of Land Acquisition & Resettlement Plan
- Form 16: Implementation Expenditure of Land Acquisition & Resettlement Plan
- Form 17: Environment Protection Plan
- Form 18: Status of Environment Protection Implementation
- Form 19: Logical Framework
- Form 20: Progress of Performance Indicators or Outputs

### 3 Aligned monitoring system

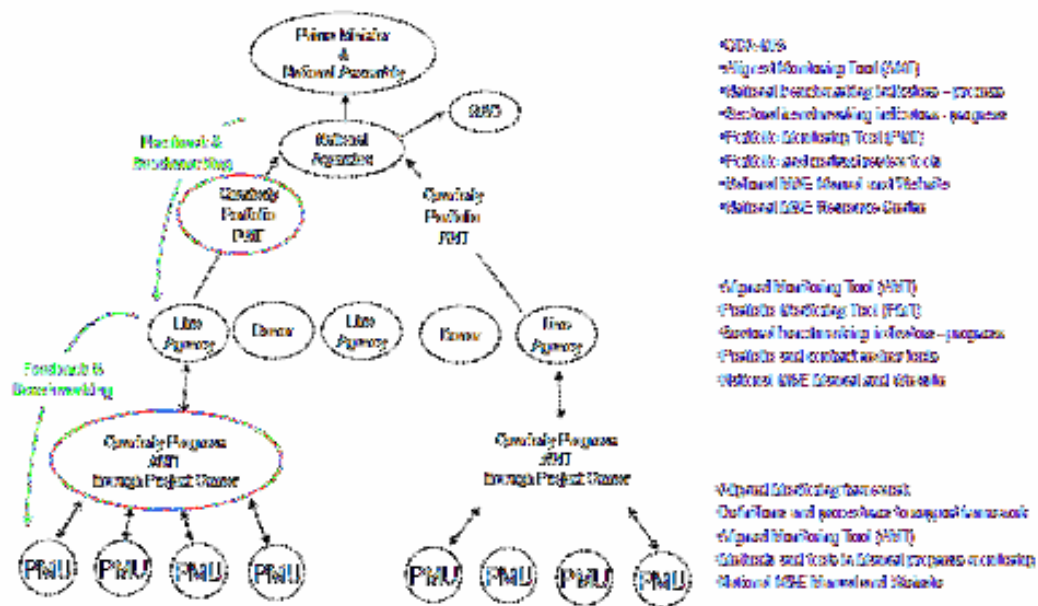
These efforts are designed to achieve the vision for the Vietnam aligned monitoring system implied in Decree 131 and the SEDP 2006-2010. This is presented in Chart 2.

The aligned monitoring system operates at four levels of investment management:

- **Monitoring data are collected by PMUs** - in an aligned monitoring format agreed between the Government and major donors using an Aligned Monitoring Tool that covers disbursement, process and performance data.
- **Monitoring data are reviewed and collated by Project Owners** – using the Aligned Monitoring Tool to report progress to Line Agencies and to identify variance from plan to support project management direction.
- **Monitoring data are reported to Line Agencies and Donors** - who review it and benchmark it against other projects using a Portfolio Monitoring Tool. These project owners take responsibility for ensuring that monitoring data is used to inform effective management of ODA.
- **Feedback is prepared by National Agencies** – such as MPI and MOF who collate monitoring data for all projects nationally and identify lessons learned for feedback to line agencies, provincial peoples’ committees and discussion with donors.

Data flow in the pilot monitoring system is presented schematically in Chart 3.

**Chart 2 : A vision for the Vietnam aligned monitoring system**

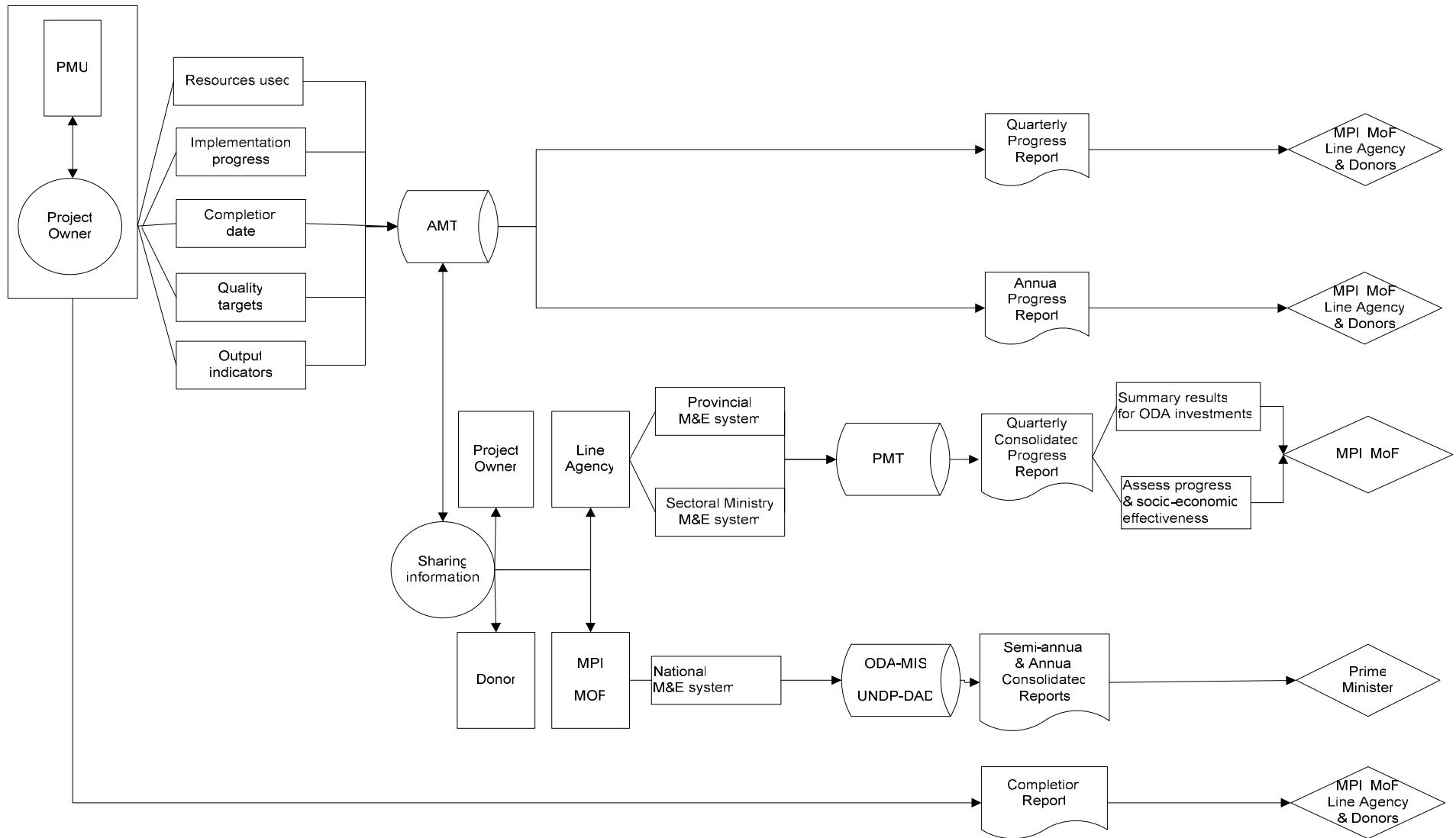


### 3.1 Aligned monitoring format

The aligned monitoring format is designed to monitor progress of disbursement, process and performance during the past month or quarter. PMUs only need to record those items that have taken place or changed during the month or quarter that is being reported. The guidelines for use of the AMT complement current legal documents of Vietnam, and comply with the procedures and monitoring needs of the 5 Development Banks. The AMT is designed to be consistent with logical framework analysis, which is the basis for the national monitoring system. Chart 4 shows the interface of the AMT.

PMUs are responsible for completing the aligned monitoring reports and they are considered to be the custodians of the monitoring data. Depending on reporting needs defined by GoV regulations, frequency of using these formats is either monthly or quarterly. It is intended that the monthly/ quarterly monitoring results produced using the aligned quarterly progress monitoring tool will be reviewed by Project Owners and submitted to National ODA Managing Agencies (for example MPI and MoF) as well as Line Agencies (for example Ministries or People’s Committees of Provinces) and relevant donors in addition to the Peoples’ Committees of Provinces where ODA is being implemented.

**Chart 3 : Data flow in the pilot monitoring system**

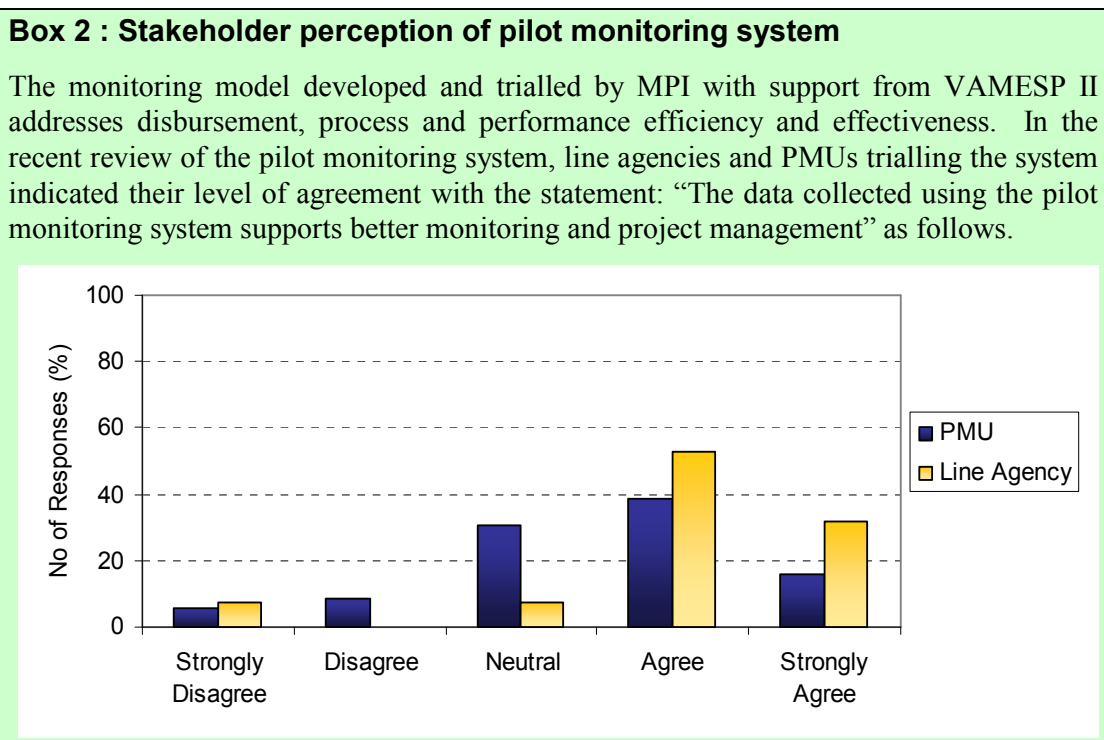


**Chart 4 : The aligned monitoring tool**

Status	Select worksheet(s) to be displayed
N/A Not Applicable	<input type="checkbox"/> Form 1 - Project Profile
UPD Updated	<input checked="" type="checkbox"/> Form 2 - Brief Progress Report
UPD Updated	<input type="checkbox"/> Form 3 - Progress of Covenants and Conditions
UPD Updated	<input type="checkbox"/> Form 4 - Disbursement of ODA Funds
UPD Updated	<input type="checkbox"/> Form 4.1 - Disbursement of ODA Funds - Donor 2
UPD Updated	<input type="checkbox"/> Form 4.2 - Disbursement of ODA Funds - Donor 3
UPD Updated	<input checked="" type="checkbox"/> Form 5 - Report on Special/Imprest Account
UPD Updated	<input type="checkbox"/> Form 6 - Disbursement of Counterpart Funds
UPD Updated	<input type="checkbox"/> Form 7 - Procurement Plan - Approval Summary
UPD Updated	<input checked="" type="checkbox"/> Form 8 - Procurement Plan - Packages
UPD Updated	<input type="checkbox"/> Form 9 - Procurement Plan - Prequalification Process
UPD Updated	<input type="checkbox"/> Form 10 - Procurement Plan - Bidding Process
UPD Updated	<input type="checkbox"/> Form 11 - Summary of Bidding Results
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UPD Updated	<input type="checkbox"/> Form 16 - Implementation Expenditure of Land Acquisition and Resettlement Plan
UPD Updated	<input type="checkbox"/> Form 17 - Environment Protection Plan
UPD Updated	<input type="checkbox"/> Form 18 - Status of Environment Protection Implementation
UPD Updated	<input type="checkbox"/> Form 19 - Logical Framework
UPD Updated	<input type="checkbox"/> Form 20 - Progress of Performance Indicators or Outputs

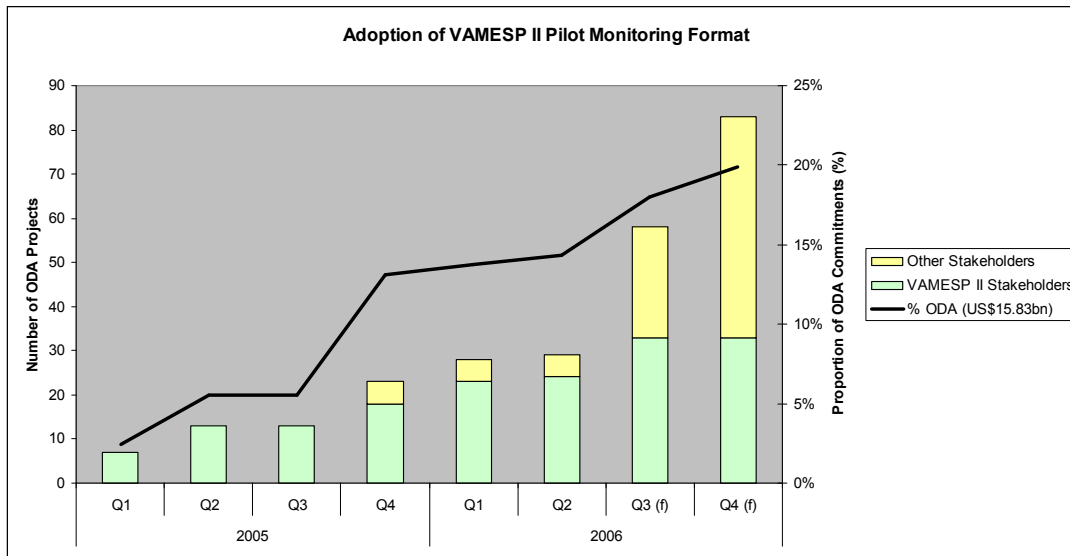
The data reported in the AMT will be analysed by Line Agencies, ODA Managing Agencies and donors. Lessons learned from this analysis will be fed back to the PMUs to support and improve project management in the process of project implementation.

Stakeholder perceptions of the pilot monitoring system are presented in Box 2.



The AMT is currently used by 42 stakeholder projects from 13 line agencies (6 ministries and 7 provinces), accounting for more than 15% of ongoing ODA investment in Vietnam. In addition some other projects from Ministry of Construction and Electricity of Vietnam have also used the AMT on a pilot basis. The trend in adoption since 2004 is presented in Chart 5. Box 3 presents the experience of Ministry of Finance in using the pilot monitoring system.

**Chart 5 : Trend in the adoption of aligned monitoring tool over time**



**Box 3 : Monitoring in practice – using the AMT in Ministry of Finance**

As an example of the capacity developed, take a look at the Ministry of Finance annual report on ODA presented to their Minister.

The Ministry of Finance (MOF) has trialled the pilot monitoring system since late 2004. The most recent annual report to the Minister of Finance used an evidenced-based performance report using skills and tools from VAMESP II rather than the traditional descriptive/subjective reporting style without supporting data.

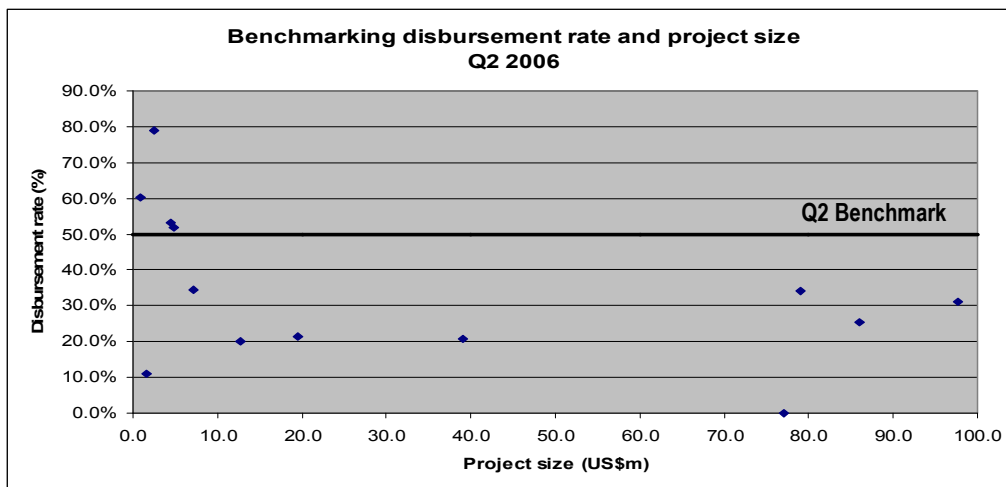
With support from VAMESP II a simple but effective monitoring system was set up in five PMUs and one department in MOF. This system enabled the International Cooperation Department (ICD/MOF), the agency responsible for collecting and analysing data from all ODA projects in MOF, to collect and analyse data at portfolio level. Building on the pilot supported by VAMESP II, ICD/MoF asked 27 ODA projects to use the pilot monitoring format and tools to collate and report process and performance data for 12 months. In doing this, MOF proactively went further than the VAMESP II pilot system and expanded the pilot system to become their official monitoring system. The data from this work was used to report progress on ODA investments to their Minister.

Quarterly monitoring reports are shared between PMU and Line Agency. Although the monitoring system is a pilot, many participating PMUs send their quarterly report to the donors – for example Can Tho and Nghe An Waste Water Treatment Projects send their

monitoring reports each quarter to KfW in Frankfurt, and receive regular feedback from the donor. World Bank currently receives quarterly reports from 8 projects.

Chart 6 shows the Q2 2006 disbursement rate data from 13 projects and compares this with project size. Disbursement rate is the actual disbursement to date over the planned disbursement for the current year, as set out in the approved annual plan. For Q2 2006 the benchmark is 50% - since on average half the planned disbursement should have been made by the end of Q2. Of course each project will have different disbursement flows, depending on project activities.

**Chart 6 : Example of Q2-2006 monitoring results - disbursement**



### 3.2 Portfolio monitoring tool

To help national and line agencies with their monitoring task, VAMESP II developed a Portfolio Monitoring Tool (PMT). For monitoring performance for a portfolio of investments and activities, the PMT uses the following functions:

- **Extracts data from aligned monitoring tool** – project data is extracted from the disbursement sheets (disbursement rate), procurement sheets (process monitoring) and activity sheets (performance monitoring) of the aligned monitoring tool into a database in each national or line agency.
- **Determines the variance from plan** – by comparing the planned and actual results the PMT determines the variance from plan for selected performance monitoring indicators and expresses actual performance as a % of planned performance.
- **Tabulates results** - the PMT tabulates results for specific process and performance indicators. Performance indicators are set out below.
- **Assigns a rating score to variance** – the PMT then assigns a rating score to the performance into one of pre-assigned criteria (0-50% actual as % of plan; 51-75% actual as % of plan, 76-100% actual as % plan and actual ahead of plan).
- **Assigns overall rating** - the PMT then produces a table of results organised by rank as an output. The table can be disaggregated by type of process (eg bid approval, land clearance or contract approval), type of progress (eg implementation and delivery of goods, works or services, activities or outputs), as well as by location or donor.

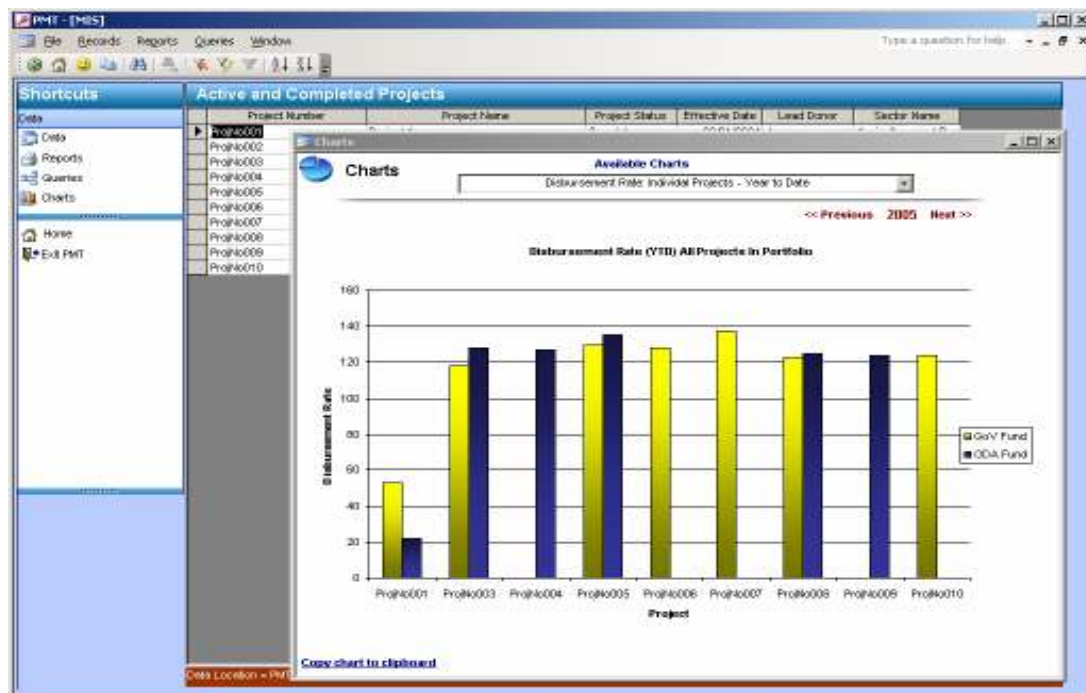
- **Charts the results** – if required, tabular results can be presented as charts or graphs to illustrate results and highlight performance that is either significantly delayed or ahead of plan.

The PMT is designed to monitor the ODA investment portfolio of a Line Agency. It imports and aggregates data from one or more AMTs – data collected and reported by PMUs - in the portfolio. The PMT then analyses these data and answers performance and management questions. The PMT provides the following functions via a user-friendly interface, shown for example in Chart 7:

- automatically import data from AMTs reported by PMUs;
- stores the list of projects in the portfolio;
- monitors the progress of projects;
- produces preformatted Reports, Charts, and Queries;
- maintains an archive of documents received from projects;
- automatically export data to other formats such as XML; and
- benchmarks the progress and performance of projects using predefined indicators.

The PMT is developed in Microsoft Access. This is a powerful relational database system that provides a sound base for managing data, performing complex queries, preparing reports and integrating with other Microsoft products. Microsoft Access can be readily upsized to a larger database system, such as Microsoft SQL Server, if such a need occurs in the future. Importantly, Microsoft Access is commonly available and can be locally supported. Versions of PMT are available to run on Microsoft Access 2000, 2002, 2003 and XP. For users that do not have a copy of Microsoft Access, a runtime version is also available.

**Chart 7 : Example of PMT interface**

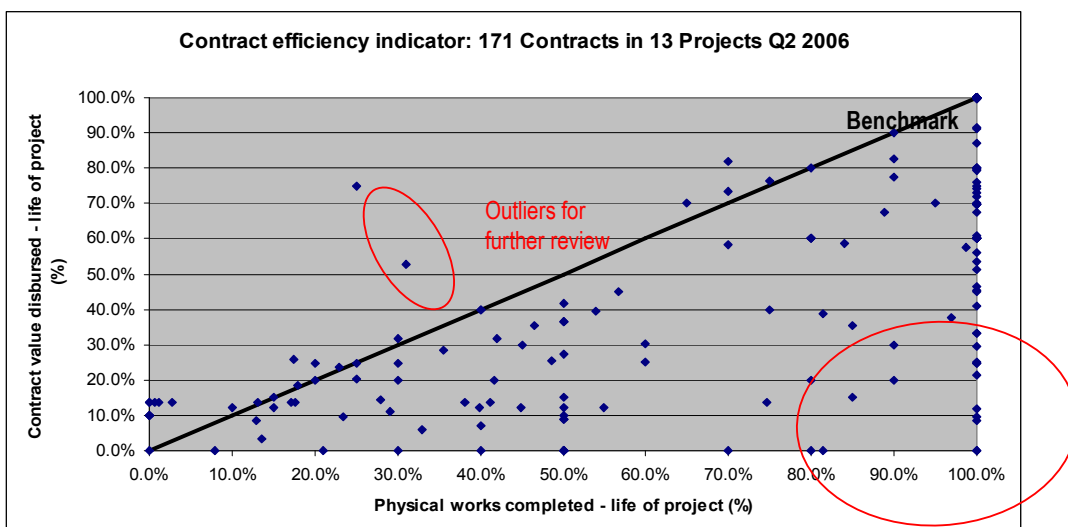


During 2005, a prototype of the portfolio monitoring tool (PMT) was developed and trialled in 4 line agencies in partnership with several donors. Lessons learned from that work were used to refine the PMT and finalise it as a  $\beta$ -version during the first half of 2006. The  $\beta$ -version PMT is now being trialled in MOF, MOT, MARD and Quang Ngai Province, with a view to widespread roll-out during Q1 2007. Examples of indicators used in the PMT include:

1. Disbursement Achievement Rate =	$\frac{\text{Accumulated actual disbursement to end of reporting period}}{\text{Net invested funds}} \times 100$	X 100
2. Disbursement Rate =	$\frac{\text{Actual disbursement for year to end of reporting period}}{\text{Planned disbursement for year to end of reporting period}} \times 100$	X 100
3. Bidding Delay =	$\text{Start date of bidding process (actual)} - \text{Start date of bidding process (plan)}$	
4. Bidding Efficiency =	$\frac{\text{Current Bidding Process Step Date (Plan)} - \text{Start Date (Plan)}}{\text{Current Bidding Process Step Date (Actual)} - \text{Start Date (Actual)}} \times 100$	X 100
5. Activity Efficiency =	$\frac{\text{Actual activities and outputs completed}}{\text{Planned activities and outputs completed}} \times 100$	X 100
6. Contract Payment Indicator =	$\frac{\% \text{ Physical work completed project-to-date}}{\% \text{ Disbursement rate project-to-date}} \times 100$	X 100
7. Resettlement Efficiency =	$\frac{\text{Current Resettlement Process Step Date (Plan)} - \text{Start Date (Plan)}}{\text{Current Resettlement Process Step Date (Actual)} - \text{Start Date (Actual)}} \times 100$	X 100
8. Environmental Management Efficiency =	$\frac{\text{Number of months delay between actual and planned start of EMP implementation}}{\text{Planned duration of project (months)}} \times 100$	X 100

Chart 8 shows the sort of analysis that is possible with the PMT – for 171 contracts in a portfolio of 13 projects. Using data from the AMT, this analysis compares the life-of-project contract value disbursed with the life-of-project physical works completed. Normally disbursement would lag output delivery – and so it is expected that data points would sit below the benchmark line shown. Chart 8 has several outliers that would be a focus of attention for data review, and if found accurate further investigation by the line agency or project owner.

**Chart 8 : Monitoring results from typical portfolio**



Source: Q2 2006 monitoring data from 13 projects using aligned monitoring format