

# Detailed Implementation Review (DIR) of Two World Bank- Funded Transport Projects

## Findings and Implications

The World Bank in Vietnam  
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# What Is a DIR?

- A process to determine a project's susceptibility and possible exposure to corruption or waste
- Focuses on project contract procurement, financial management and implementation
- Contracts are considered to be at risk based on indicators of irregularities
- A tool to strengthen the design, implementation and supervision of projects

# What a DIR is Not

- It is not an investigation aimed at allocating responsibility to specific individuals of firms
- It emphasizes statistical regularities over case-by-case analysis
- When examples are provided, the contracts are identified by a non-traceable number only
- It should not be used as a basis for initiating any administrative, civil or criminal proceedings.

# Why this DIR?

- Due to concerns about possible fraud and corruption in PMU 18, which managed two World Bank funded projects.
- To identify risks of fraud, waste and misuse of resources in those projects, and adopt corrective measures if necessary.
- To learn more generally about weaknesses in project implementation and use the findings to strengthen project design and management

# Rural Transport Project 2 (RTP2)

- Included 1,820 road-links covering 7,600 km and 1,029 bridges
- Involved 40 provinces, and was implemented in a decentralized way
- Aimed at improving access for 1,062 communes with 6 million people
- Sought to strengthen the management of the rural road network

Closed in 2006

# Road Network Improvement Project (RNIP)

- Preserving 1,100 km of national roads and improving standards over 600 km
- Strengthening asset management at the Vietnam Road Authority
- Improving planning, budgeting and financing of road maintenance
- Piloting performance-based contracts and public-private financing

More recent, progress is slow

# The DIR Methodology

- Preliminary review of bidding and procurement documents to identify contracts with indicators of irregularities
- Contracts at risk are subject to detailed review to confirm preliminary indicators (or not) and to identify any additional indicators of irregularities.
- The detailed review encompasses the contract's procurement, financial management and implementation activities.

# The Vietnam DIR

- Data are from 742 contracts issued since 2004, out of a total of 856
- 1376 companies and 1145 individuals were involved in these contracts
- Contract documentation was reviewed for preliminary indicators of irregularities
- Contracts identified as at risk were followed up through detailed document examination.
- Procurement documentation was reviewed
- Financial management was reviewed and sites were visited to assess implementation

# Some Basic Terms

- Irregularity (*Bất thường*) (i) the misuse of Bank funds or their diversion from their intended purposes, or (ii) improper or unsatisfactory implementation.
- Indicator (*Dấu hiệu*) An event, document, statement, correlation or observation suggesting that an irregularity may have occurred.
- Corruption (*Tham nhũng*) The offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence project decisions improperly.
- Collusion (*Thông đồng*). A collusive practice is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.
- Fraud (*Gian lận*). A fraudulent practice is any action or omission including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation

# Examples of Irregularities (1)

Some indicating a questionable intention:

- Bidders on one contract submitting bid securities from the same bank with sequential security numbers
- Issuance of completion certificates for bridges where work had barely started
- Separate bid proposals with identical format, layout, font, spelling mistakes and punctuation errors.
- Sloppy preparation of losing bids, suggesting that their only purpose was to create the illusion of competition.

# Examples of Irregularities (2)

Some reflecting poor management:

- Limited supervision (lack of vehicles or funding for petrol).
- Accounting following government procedures correctly, but not applying those of the World Bank
- Lack of an integrated accounting system

# Findings Related to PMU 18

- The DIR found no evidence supporting allegations of fraud and corruption against PMU 18 officials
- The DIR identified areas where fiduciary controls in PMU 18 should be strengthened
  - Lack of integrated accounting systems
  - Submission of withdrawal applications with misleading information
  - Time to effect payments excessively long
  - Extended time gap between submission of Site Visit Reports and Payment Certificates
  - Alterations on payment documentation not properly treated

# Findings Related to Provincial PMUs

- **Procurement.** Indicators that there was a risk of the following irregularities occurring: fraud and misrepresentation, collusion among bidders, deviation from Bank's procedures, and influencing contract award
- **Financial Management.** Weak financial management capacities
- **Implementation.** Questionable workmanship in contract implementation especially in relation to the long-running RTP2. Sites visited showed design and construction irregularities.

# Rural Transport Project 2 (RTP2)

708 contracts awarded since 2004 (\$43.6 mn)

269 with preliminary indicators (\$17.7 mn)

In-Depth Reviews	Contracts Reviewed/ Sites Visited	Contracts/ Sites with Confirmed Indicators of Irregularities
Procurement	84 (\$5.9 mn)	76 (\$5.5 mn)
Financial Management	64 (\$4.8 mn)	29 \$(2.3 mn)
Implementation	48 (\$2.7 mn)	35 (\$2.2 mn)

# Road Network Improvement Project (RNIP)

34 contracts awarded since 2004 (\$53.9 mn)

16 with preliminary indicators (\$22.8 mn)

In-Depth Reviews	Contracts Reviewed/ Sites Visited	Contracts/ Sites with Confirmed Indicators of Irregularities
Procurement	16 (\$22.8 mn)	9 (\$10.0 mn)
Financial Management	13 (\$17.1 mn)	2 (\$1.7 mn)
Implementation	3 (\$5.5 mn)	3 (\$5.5 mn)

# Completion Assessment of RTP2 by the World Bank office

## Satisfactory development results

- Directly benefited 1 million poor and by one estimate lifted 0.2 mn of them from poverty
- Raised private sector activity in local civil works from 35 percent to 100 percent in 5 years
- Closed in 2006, on time, after 6 years of implementation, within budget (U\$145 mn)

# Main Recommendations

## **Short term**

- Develop an action plan to combat the risk of corruption in the implementation of ODA projects in the transport sector in Vietnam
- Strengthen the financial management practices within the PMUs

## **Medium term**

- Strengthen the mechanisms for handling complaints
- Expand public disclosure of project information

# The Way Forward (1)

## Enhancing the Fiduciary Framework in RNIP

### **Procurement**

- Closer scrutiny of procurement actions

### **Financial Management**

- Improved financial management and accounting with software and aligned monitoring tool

### **Implementation**

- Upcoming Mid-Term Review (June 2007) will strengthen transparency and accountability

# The Way Forward (2)

Moving from RTP2 to RTP3 in rural roads

## **Procurement**

- Action Plan for improving fairness and transparency: identifies indicators of collusion, makes bid committees responsible, clear line of reporting if collusion suspected

## **Financial Management**

- “One system approach”: integrated with PMU systems, linked to treasury system and physical outputs

## **Implementation**

- Focus on results: more post reviews, emphasis on integrated audits, annual monitoring of performance

# The Way Forward (3)

## Dealing with decentralization

- Increase provincial authority and clarify responsibility between central and provincial authorities
- Greater user involvement, including beneficiaries and private sector
- Increased transparency by using transparent allocation formulas
- Compare performance across provinces and allocating additional finance based on improvement

## Revising the cost norms system

# Does the DIR Affect the Engagement of the World Bank in Vietnam?

- There will be no declaration of mis-procurement and no request for further investigation, although the World Bank reserves that possibility if problems arise in the future
- Efforts will focus on working with government towards better systems to manage and implement ODA- funded projects and public investment projects more generally
- The engagement of the World Bank in Vietnam continues to be guided by our Country Partnership Strategy for 2007-2011, approved earlier this year.

# Current and Forthcoming Events in the Cooperation with Vietnam

- May 17: Signing of RTP3 project, to be implemented by MOT
- May 21: Negotiation of PRSC 6, supporting the reform agenda of Vietnam
- May 22: Approval of the Mekong Transport Infrastructure Project
- June 1: Mid-term CG meeting, co-chaired by Government and the World Bank
- June 20-26: US\$ 465 million in concessional credits to be approved