

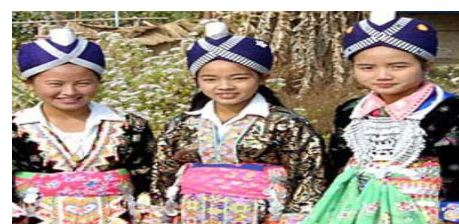


MEKONG ECONOMICS NEWSLETTER

ISSUE TWO

MEKONG ECONOMICS NEWSLETTER

July 2008



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FOREWORD

Dear Colleagues and Friends,

With this second edition of our Newsletter, we would like to inform you of the recent developments in Mekong Economics for first half of the year 2008 (the last six months).

It has been an exiting period with a number of projects won in the Greater Mekong region, including in Lao PDR and Timor-Leste.

The projects being undertaken in these countries include education sector support, as well as surveys serving as a basis for poverty reduction.

The establishment of an associate office in Vientiane, Lao PDR forms a continuing element of our presence in the region as a consulting firm. We hope that many more exciting opportunities will evolve over time in this country.

MKE's physical presence has grown in Ho Chi Minh City. The office caters for survey's covering holistic needs based surveys and reviews and providing support for MKE's office on Hanoi.

We hope you will find the information presented in this newsletter interesting and wish you much success for the second half of 2008.

Dr Adam McCarty

Chief Economist

Mekong Economics Ltd

◎ EDITORIAL: DONORS' ROLE IN DONOR FUNDS

Increasingly, donor's role in fund disbursement in the recipient nation has received a lot of uncertainty over the recent decades. These stems from the experiences of self automated dominance on socio economics issues confronting any nation state, while these recipient nations other hand; one can not "bite the hands of those who feed them". These experiences have opened up all these new debates on neo-colonialism and thrusting of development agendas, which is not necessarily a prerogative of the recipient: hence donor funds can easily endorse un-sustained expenditures and fuel corruption and mismanagement.

Donor funds could be in cash, food and kind, technical assistance and manpower volunteers to boost or help other economies and societies. The flow of donor funds vary for several reasons, however; this editorial highlights the politics of development donor funds.

Development funds often flows from the developed world in to the developing world. Asia, Africa and Latin America have been some of the largest recipients of these development funds in recent history. These funds targets specific development issues like governance institutional arrangement and or structural reforms.

Skepticisms over developments fund hoarded during the years when developments funds tend to;

- to benefit foreign contracts and suppliers: hence; protracting a scenarios of no trickle impacts of development. In instance; there is nothing to show for when the donor packs- up and leaves,
- concentrate on specific ethnic or geo-

political areas and the rest of the economy is not benefiting as it should, and;

- Sponsor-sensitive development reforms that are not well received by the recipients.

However; donors are inclined to see what their funds are doing or not doing. As such, there's been a lot of donor involvement in micromanaging these development funds. Donors generally argue that the recipients lack; transparency and accountability, assertive leadership and lack competent public sector that manages institutions and up- holds justices.

Nevertheless, the recipient nations on the other hand believe that, 'if a project is intended for them' then they should have ownership of the project and ensure sustainability and real impacts on the economy and the society. Hence; props the question: What determines ownership? Ownership can be thought of as; having the technical capacity and know-how of the project, having good institutional structures in place and they must be grounded in sound governance practices. Essentially ownership is the flip side of why donors continue to intervene on how these donor funds are used on.

This topic is contentious, as to where and who starts to build these aspects of why donors keeping intervening into their donor funds and why the recipients are still not able to have ownership over development projects. Perhaps Birdsall and Dante put it well:... "Good global politics is critical to battle against poverty and unrealized human development".... (Nancy Birdsall, Idrisse Dante, and pg: 37).

◎ PROJECTS

1. Ban Phuc Nickel Mining Survey

The Ban Phuc Nickel Mine Project is a green field's sulfide nickel project located near Ban Phuc Village in Son La province. The project will develop a mining and processing operation and all associated infrastructure based on the Ban Phuc Deposit including:

Mekong Economics Ltd (MKE) has been contracted to measure the direct and indirect benefits to the local and regional economy, using both quantitative and qualitative methods. Given that the mine has not yet begun construction, Mekong Economics has use this opportunity to create and development baselines studies of its economic impacts indicators is the local communities and the region.

This will provide a sound basis for measuring and demonstrating to various stakeholders the benefits and/or costs that accrue to them (at

local, regional and national levels) during the life of the project. It will also feed into the project's monitoring and evaluation system, as the indicators will be surveyed regularly before an impact evaluation is undertaken at the end of the project.

Client: Ban Phuc Nickel Company Limited (BPNM)

In December 2007, MKE had implemented the baseline survey that surveyed all households in Ban Khoa, Ban Phuc, Ban Pho Village of Muong Khoa Commune, Leaders of Muong Khoa Commune, and Leaders of some Enterprises in related Communes & Districts, Leader of Chieng Dong, Ta Khoa, Mai Son, Ta Hoc Commune.

The first Semi-Annual Monitoring Survey is subject to started from June 23, 2008.



Nguyen Manh Trung on the trail during baseline survey for Ban Phuc



2. World Bank Grade Five Study

Mekong Economics Ltd was contracted, in partnership with InTREC (UK), to provide technical consultancy services to review Grade Five mathematics syllabuses: (1) developing instruments, both tests and questionnaires; (2) sampling procedures; (3) data processing and analysis; and took the lead in writing up the report.

Five separate databases were created for the students, which included student achievement in mathematics, student achievement in Vietnamese language, student background information, teacher background information, and head teacher background information.

A merged database was created for grade 5 students with link to their teachers and head teachers;

MKE compiled a report for the client including a data base for future referencing.



*Project Coordinator Nguyen Le Na
with the consultant team*

3. Study for Current market and demand for certification services in Vietnam



Market Certifications

MKE was contracted to carry out a study for current market demands. Stronger competition in the certification market would benefit most Vietnamese export companies as it leads to lower prices and increased opportunities.

It is crucial for Vietnamese export companies to fully embrace the concept and are aware of the benefits of certifications. For example, a wider adoption of the ISO 22000 (HACCP) certification would probably yield immediate benefits to Vietnamese food exporters. STAMEQ Directorate for Standards and Quality –Viet Nam, mainly through Vietnam Certification Services (QUACERT), is presently a monopoly domestic supplier of certification services in Vietnam. Their competitors are foreign representative offices of international certification and standards companies. rosecute when mistakes are made.

STAMEQ certification services seem to be priced at a margin below foreign

competitors. If other domestic private providers were to emerge, competition may lead to cheaper delivery of these services. However, this line of thought is just conjecture, and a study on how to increase competition and choice in standards and certifications.

The objective of the assignment is to provide the Fund Facility with a solid understanding of the current market for certification services in Vietnam, including a detailed understanding of needs, demand, supply constraints, problems and bottlenecks, priority areas for regulatory reform, as well as ongoing and planned donor activity in the area.

A broad range of interviews and consultations were conducted with key foreign and local certification providers (such as DNV, BVQI, SGS, AFAQ AFNOR Intl. TUV Rheinland), relevant government organizations, business associations such as Young Entrepreneur Association chapters, Vietnam Association for Small and Medium enterprises, Business Association at provincial level and Vietnam Chamber of Commerce and Industry and other relevant enterprises

Even though this is a nation-wide Study and covers many sectors of the economy, but as requested by the Fund Facility, the Study focused more on four provinces. Ha Tay, Nghe An, Lam Dong and Khanh Hoa in which Danida's Business Sector Program Support is focused. With regards to sector-specific, special attention was given to the following sectors: crafts, nuts, flowers, fruits, tea, tourism, wood products, seafood and aquaculture.

4. The Public Expenditure Tracking Survey (PETS)

The Public Expenditure Tracking Survey was carried out for the Vietnam Ministry of Finance and funded by the Norwegian Embassy in Hanoi. As the first PETS on the education sector in Vietnam, this will be, in practice, a pilot public expenditure tracking survey. The aim of the survey was to conduct an assessment of the effectiveness and efficiency in public transfers focusing on education sector and institutionalization of this type of survey to be expanded for other sub-sectors and replicated in other sectors under the management of Ministry of Finance.

The survey focuses on the financial mechanisms applied for school funding at the provincial, district and school level, how the flow of funds and contributions are reaching the schools and how they are applied. The survey enabled an assessment of the link between school level income, structure of expenditure, performance related and other indicators. The impact of targeted as well as other specific contributions on non-discretionary expenditure will be another key issue assessed.

Six selected provinces (Lao Cai, Hai Phong, Quang Ngai, Dong Nai, Dong

Thap and Gia Lai) represent different regions, mountain and delta, urban and rural; and are a representation of economic structure and differences in poverty and income levels and frequency of ethnic population. Concentration on a few provinces gives an opportunity to get a comprehensive understanding of the financial system and its sub-sector impact in some provinces rather than selecting many (or all) provinces which evidently would give a more general overview of finances in the sub-sector at the national level. During conducting the PETS assignment, we have closely worked with Ministry of Finance, State Treasury and sub-national levels including Provincial Financial Departments, Provincial Treasuries, Departments of Education & Training, District Bureaus of Finance, District Treasuries, Bureaus of Education & Training and school levels.

The consultant team identified alternative revenue options, structure of expenditure, strengths of decentralisation in public financial management and shortcomings/weaknesses on capacity of financial management at sub-national levels and provided the recommendations to each level to improve those weaknesses.

We have submitted the draft report and Ministry of Finance has provided their comments on it. We are currently finalizing the final report.

5. Canadian International Development Agency “Public Financial Management”

The Public Financial Management (PFM) Assessment Assignment was undertaken by Mekong Economics (MKE) for CIDA in three provinces of Vietnam: Soc Trang, Ha Tinh and Thanh Hoa. The aim of the assignment is (i) to further CIDA’s understanding of PFM in Vietnam, in particular decentralization and reform in PFM at the provincial level; (ii) assess the province’s capacity to carry out its main public financial management functions and (iii) assess the associated fiduciary risks while CIDA provides support to those provinces.

To undertake the study the MKE consultant team used International Standard Financial Assessment Tools as a Capacity and Risk Assessment Framework (CRAF) and the Public Expenditure and Financial Accountability (PEFA) Performance Measurement Framework.

The team has conducted the assessment according to 20 elements in the CRAF relating to financial planning, budget allocation, expenditure control, internal audit, external audit, oversight functions, debt level and debt management & payment etc. and 28 evidence-based PEFA indicators. We have already reviewed the current PFM policies, regulations, procedures and framework, operating and financial management functions as well as capacity of staff at local departments of Finance, Treasury and related departments.

The team has also reviewed the role of the People’s Committee in directing

the preparation of the budget estimate, management of budget execution and final accounts as well as the oversight and approval role of the People’s Council within the budget process. The assessment was undertaken at three sub-national levels: provincial, district and commune and in three targeted provinces.



VietNamNet – The Ministry of Finance puts high hopes on the Treasury and Budget Management Information System (TABMIS), which is being designed to help improve public finance management. [source: Viet net]

We have found some very interesting and valuable findings relating to capacity in PFM: no recurrent cost implication in investment expenditure, the big gap between the original budget and actual out-turns; debt management, especially debt in infrastructure construction; external audit and oversight functions. We have recommended to CIDA many safeguard measures to minimize the fiduciary risk and effectively use their funds and have provided suggestions on fund mechanisms to flow directly to the local level in those provinces as well as entry points for developing provincial capacity-building plans for PFM/sector targeted to CIDA support, where they will have the most impact.



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