

# Sub-National Public Expenditure and Financial Accountability Assessment

## Can Tho City, Vietnam



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**Sub-National Public Expenditure and Financial  
Accountability Assessment of Can Tho City, the  
Socialist Republic of Vietnam**

**2022**

PEFA Check



SUB-NATIONAL PUBLIC EXPENDITURE AND  
FINANCIAL ACCOUNTABILITY (PEFA)  
ASSESSMENT

CAN THO CITY, VIETNAM

NOVEMBER 2022

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The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the **'PEFA CHECK'**.

PEFA Secretariat

November 21, 2022

# PREFACE

## ASSESSMENT MANAGEMENT AND QUALITY ASSURANCE

The World Bank is supporting Can Tho City (CCT) of Vietnam to conduct an analysis of its current public financial management (PFM) arrangements and national legal framework in comparison to good international practices. The main objective of this activity is to inform the design and implementation of a robust PFM reform agenda for the city in 2023 – 2025. The activity is performed under the framework of the Swiss State Secretariat for Economic Affairs (SECO) Trust Fund for Sub-National Public Financial Management Reform, effective April 2020.

This sub-national public expenditure and financial accountability (PEFA) assessment aims to measure the PFM performance of CCT. The assessment will be used by CCT in planning improvements to the administration of its services. It will also facilitate discussions by CCT and development partners with the central government on possible reforms in country PFM system to enable better allocation of resources which would ultimately assist CCT – and other sub-national governments (SNG) – in the discharge of its functions. For the same purpose, a national PEFA assessment was conducted in parallel.

Can Tho City PEFA Task Force was chaired by Mr. Duong Tan Hien, Deputy Chairman of Can Tho People's Committee. The Task Force included Mr. Nguyen Quang Nghi (Director of Finance Department), Mr. Nguyen Thuc Hien (Director of Planning and Investment Department), Mr. Huynh Tan Phat (Deputy Director of Tax Department), Mr. Huynh Quang Tuan (Deputy Director of City State Treasury), Ms. Tran Hong Tham (Director of Education & Training Department), Mr. Nguyen Phuoc Ton (Deputy Director of Health Department), Mr. Nguyen Van Su (Director of Agriculture and Rural Development), Mr. Truong Hong Du (Deputy Director of Internal Affairs Department), Mr. Do Hue Tung (Head of General Division, State Audit Regional Office), and Mr. Vo Anh Huy (Head of Economic and Budget Division, People's Council).

On The World Bank side, Ms. Carolyn Turk (Vietnam Country Director) provided overall guidance with Mr. Hassan Zaman (Regional Director), Mr. Fily Sissoko (Practice Manager, Governance Global Practice), Ms. Alma Kanani (Practice Manager, Governance Global Practice), Ms. Patricia Mc Kenzie (Practice Manager, Governance Global Practice), Mr. Fabian Seiderer (Practice Manager, Governance Global Practice), and Ms. Steffi Stallmeister (Vietnam Operations Manager). The assessment Task Team was led by Ms. Tran Thi Phuong Mai (Senior Financial Management Specialist) and comprised Ms. Nguyen Phuong Anh (Senior Public Sector Specialist), Mr. Andrei Busuioc (Senior Financial Management Specialist), Mr. Richard Olowo (Lead Procurement Specialist), Mr. Le Toan Thang (Senior Procurement Specialist), Ms. Julia Dhimitri (Public Sector Specialist, PEFA Secretariat), Mr. Guillaume Brule (Senior Public Sector Specialist, PEFA Secretariat), Mr. Vu Cuong (PFM Consultant), Ms. Hoang Thi Thuy Nguyet (PFM Consultant), Mr. John Short (PFM Consultant), Mr. Tran Thanh Nam (Interpreter), Ms. Kieu Phuong Hoa (Program Assistant).

Mr. Antonio Leonardo Blasco and Ms. Tia Elise Raappana (Senior Public Finance Specialist) from the PEFA Secretariat provided quality review and assurance. The report also benefited from the comments of peer reviewers: Mr. Andreas Bergmann (PFM expert, SECO), Ms. Nguyen Hong Giang (Senior Program Officer, SECO), Ms. Pia Buller (Program Officer, EU), Ms. Ngo Thi Kim Thu (Program Officer, EU), Ms. Pike Pike Aye (Public Sector Management Specialist), and Mr. Ildrim Valley (Public Sector Specialist, The World Bank).

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## ABBREVIATIONS AND ACRONYMS

CALDEF	Land Development Fund ( <i>Quy phat trien dat</i> )
CCT	City of Can Tho
CIT	Corporate Income Tax
CRC	Complaint Resolution Committee
DARD	(CCT) Department of Agriculture and Rural Development
DoET	(CCT) Department of Education and Training
DoF	(CCT) Department of Finance
DoHA	(CCT) Department of Home Affairs
DoH	(CCT) Department of Health
DoNRE	Department of Natural Resources and Environment
DPI	(CCT) Department of Planning and Investment
EBU	Extra Budgetary Unit
FBP	Financial and Budgetary Plan
FY	Fiscal Year
GRDP	Gross Regional Domestic Product
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GFSM	Government Finance Statistics Manual
HLG	Higher Level Government
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
ICT	Information and Communications Technology
IT	Information Technology
JSC	Joint-Stock Corporations
MICE	Meetings, Incentives, Conferences & Exhibitions
MoF	(National) Ministry of Finance
MoHA	(National) Ministry of Home Affairs
MPI	(National) Ministry of Planning and Investment
MTIP	Medium Term Public Investment Plan
N/A	Not applicable
ODA	Official Development Assistance



PIT	Personal Income Tax
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PI	Performance Indicator
PMU	Project Management Units
PPC	Provincial People's Committee
PPL	Public Procurement Law
PPP	Public Private Partnership
PSDU	Public Service Delivery Unit
SAV	State Audit of Vietnam (Vietnam's Supreme Audit Institution)
SAV-5	State Audit of Vietnam Regional Office No. 5
SECO	Swiss State Secretariat for Economic Affairs (Switzerland)
SME	Small or Medium Sized Enterprise
SNG	Sub-National Government
SOE	State-Owned Enterprise
TABMIS	Treasury and Budget Management Information System
TSA	Treasury Single Account
USD	United States Dollars
VAT	Value Added Tax
VFF	Vietnam Fatherland Front
VNEPS	Vietnam Electronic Procurement System
WB	The World Bank

## METHODOLOGY

**Type of assessment:** This is a baseline assessment for CCT. The assessment applies the methodology of the PEFA Framework issued in February 2016 and the Guidance for SNG PEFA Assessments, revised in October 2020, and finalized in December 2021.

**Number of indicators used:** The assessment applies the full set of indicators of the Framework and Guidance, including annexes, except higher level government (HLG) -2 (Fiscal rules and monitoring of fiscal position). The exclusion of HLG 2 relates to the scope of this SNG PEFA, which assesses the CCT as a single SNG with the city government only. In line with recent guidance for SNG PEFA assessments, performance indicators (PI) 14, 15, and 16 are combined into PI-14 (medium-term budget strategy). PI-19 (tax administration) and PI-20 (accounting or revenue) are not applicable as they belong to the functions of the central government. PI-26.2 (nature of audits and standards applied), PI-26.3 (implementation of internal audits and reporting), and PI-26.4 (response to internal audits) are not applied because a proper internal audit function is not yet established. PI-31.2 (hearing on audit findings), PI-31.3 (recommendations on audit by the legislature), and PI-31.4 (transparency of legislative scrutiny of audit reports) are also not applicable due to lack of legislative scrutiny of audit reports.

**Timeline/ Dates of mission:** The fieldwork upon which this Assessment is based took place from December 2020 to June 2021. Most meetings and data collection were conducted virtually.

**Years covered:** The last three completed fiscal years (FYs) are 2017, 2018, and 2019. The last completed FY is 2019. The last budget submitted to the legislature is the budget plan prepared in 2019 for FY 2020. The year at time of assessment is 2020. The next FY is 2021.

**Cut-off date:** The cut-off date is May 2022.

**Coverage:** The PEFA assessment covers the budget of CCT composed of budgetary and extrabudgetary units as reflected in the PEFA Framework and Guidance. The assessment focuses on the health, education, and agriculture sectors. Relations between city and public corporations are assessed through dimension PI-10.1. The assessment also takes into account information from a number of deconcentrated bodies of the central government such as the State Treasury, the Tax Department, the Customs Department, and the State Audit of Vietnam (SAV) Regional Office.

CCT consists of three distinct levels of government (provincial, district, and commune). The Assessment focuses on the City of Can Tho (CCT), equivalent to the provincial government. The nine districts and 85 communes are not covered by the Assessment, but their relations with the provincial level are assessed through PI-7 and PI-10.2.

CCT has a total of 16 extrabudgetary funds, the 10 most important are listed below. It is noted that there are two funds (*The Urban Development Fund and the Small and Medium Enterprises Guarantee Fund*) that are treated as public corporations. In addition, there are three public corporations fully owned by the city, and three joint-stock corporations (JSC) in which CCT has invested majority capital. The classification of extra budgetary units (EBUs) and public corporations meet the requirements and definitions of the PEFA methodology. The structure of the public sector in CCT is set out below.

Budgetary units	Extrabudgetary units	Public corporations
City People's Council Office	Land Development Fund (CALDEF)	Can Tho Lottery Company
City People's Committee Office	Road Maintenance Fund	Red Flag Agriculture Company
Department of Finance	Woman Business Support Fund	Hau River Farm
Department of Planning and Investment	Disasters Prevention Fund	Can Tho Water Supply and Drainage JSC
Department of Industry and Trade	Fund for the Poor	Can Tho Water Supply 2 JSC
Department of Transport	Farmer Support Fund	Can Tho Urban JSC
Department of Education	Gratitude Fund for Recognition of Sacrificing	
Department of Science and Technology	Poor Patients Support Fund	
Department of Labor, Invalids and Social Affairs	<u>Urban Development Investment Fund*</u>	
<i>Department of External Relations</i>	<u>Small and Medium Enterprises Guarantee Fund*</u>	
Department of Internal Affairs		
Department of Agriculture and Rural Development		
Department of Health		
Department of Culture, Sport and Tourist,		
Department of Communication		
Department of Construction		
Department of Natural Resources and Environment		
City Project Management Units		
City Public Service Delivery Units (Hospital, Schools, etc.)		

\* = treated as public corporation

- Sources of information:** The data and information provided in the report is drawn from legislative documents, fiscal and budget data obtained from the public domain, non-disclosed data supplied by the government, and citations from various reports. The team also reviewed other information, such as relevant PFM work, including development partner operations and reports. The assessment includes a complete list of documents used in Annex 4. Government officials and other stakeholders that were interviewed are listed in Annex 6.

**Country fiscal year:** January 1 - December 31

Exchange rate: Currency: Dong (USD 1 = 23,010 Dong, on December 31, 2020)

## PEFA assessment management and quality assurance arrangements

### Oversight team:

- Mr. Duong Tan Hien, Deputy Chairman of Can Tho People's Committee, Chairman of Can Tho City PEFA Task Force
- Mr. Fily Sissoko (Practice Manager, Governance Global Practice, World Bank)

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### Assessment team leader and members:

#### Government of Can Tho City:

- Mr. Nguyen Quang Nghi (Director of Finance Department), Mr. Nguyen Thuc Hien (Director of Planning and Investment Department), Mr. Huynh Tan Phat (Deputy Director of Tax Department), Mr. Huynh Quang Tuan (Deputy Director of City State Treasury), Ms. Tran Hong Tham (Director of Education & Training Department), Mr. Nguyen Phuoc Ton (Deputy Director of Health Department), Mr. Nguyen Van Su (Director of Agriculture and Rural Development), Mr. Truong Hong Du (Deputy Director of Internal Affairs Department), Mr. Do Hue Tung (Head of General Division, State Audit Regional Office), and Mr. Vo Anh Huy (Head of Economic and Budget Division, People's Council).

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- Ms. Tran Thi Phuong Mai (Senior Financial Management Specialist), Ms. Nguyen Phuong Anh (Senior Public Sector Specialist), Mr. Andrei Busuioc (Senior Financial Management Specialist), Mr. Richard Olowo (Lead Procurement Specialist), Mr. Le Toan Thang (Senior Procurement Specialist), Ms. Julia Dhimitri (Public Sector Specialist, PEFA Secretariat), Mr. Guillaume Brule (Senior Public Sector Specialist, PEFA Secretariat), Mr. Vu Cuong (PFM Consultant), Ms. Hoang Thi Thuy Nguyet (PFM Consultant), Mr. John Short (PFM Consultant), Mr. Tran Thanh Nam (Interpreter), and Ms. Kieu Phuong Hoa (Program Assistant).

#### Swiss Cooperation Office in Vietnam

- Ms. Nguyen Hong Giang, Senior Operation Officer, SECO.

#### Review of the concept note and terms of reference

- Date of review draft concept note: 30 November 2020
- Invited reviewer: Mr. Lewis Hawke (Lead Public Sector Specialist, World Bank), Mr. Andreas Bergmann (PFM expert, SECO), Ms. Pia Buller (Program Officer, EU), Ms. Ngo Thi Kim Thu (Program Officer, EU); Ms. Holy-Tiana Rame (Senior Public Sector Specialist, PEFA secretariat), and the oversight team.
- Date of final concept note: 8 December 2020

#### Review of assessment report

- Date of the reviewed draft report: July 2022
- Invited reviewer: Mr. Andreas Bergmann (PFM expert, SECO), Ms. Pia Buller (Program Officer, EU), Ms. Ngo Thi Kim Thu (Program Officer, EU), Ms. Pike Pike Aye (Public Sector Management Specialist, the World Bank), and Mr. Ildrim Valley (Public Sector Specialist, The World Bank).
- PEFA secretariat: Mr. Antonio Leonardo Blasco and Ms. Tia Elise Raappana (Senior Public Sector Specialists, PEFA secretariat).

#### PEFA CHECK

- The two stages of the PEFA CHECK process were complied with: the Concept Note and the response to comments on the draft report.

# EXECUTIVE SUMMARY

## Rationale and Purpose

The main purpose of this assessment is to provide an objective and up-to-date diagnosis of PFM performance to inform the sub-national PFM reform agenda in CCT. The assessment will be used by the city in planning improvements to the administration of its services. It will also facilitate discussions by the city and development partners with the central government on possible changes in laws and regulations to enable better allocation of resources which would ultimately assist the city – and other SNGs more widely – in the discharge of its functions.

This PEFA assessment covers CCT, equivalent to the provincial government, which consists of both budgetary and extrabudgetary units as reflected in the PEFA Framework (PEFA Framework, February 2016 and Supplementary Guidance for Subnational PEFA Assessments, December 2016, revised October 2020 as issued by the PEFA Secretariat). The assessment takes into account information from a number of deconcentrated bodies of the central government such as the State Treasury, the Tax Department, the Customs Department, and the SAV Regional Office.

The PEFA assessment was undertaken with support from the World Bank under the framework of the SECO Trust Fund for Sub-National Public Financial Management Reform, effective April 2020. The first stage was a scoping mission in Nov - Dec 2019 to introduce the process, followed by self-assessment of CCT officials. The World Bank team reviewed and discussed the self-assessment with city officials, agreed on the evidence and its interpretation, and prepared this report in accordance with PEFA guidance. The report and its performance indicators ratings are agreed with the CCT PEFA Task Force for submission to the PEFA Secretariate and final dissemination.

The time gap between the scoping mission and main mission was due to COVID-19. Interviews and data collection used virtual communication to minimize COVID-19 disruption.

## Main PFM Strengths and Weaknesses

Accurate revenue projection has become a major challenge in recent years. As a self-sufficient province, CCT no longer receives balancing transfers but only (less predictable) target transfers and (over-estimated) shared revenue (also considered as transfers in this assessment). The under-realized shared revenue is restituted by CCT's own revenue, particularly land and lottery revenue. HLG transfers can be released without explanation about changes across years. As a result, expenditure composition varies significantly. Although its budget documentation is reasonably comprehensive, the original budget is not directly comparable to actual outturn because of the lack of economic classification in the original budget and the 'carry-over' practice. Timeliness is identified as a weakness in public access to fiscal information.

A medium-term debt plan is prepared, but not on the basis of cost-risk consideration. The approval of debt follows clearly defined procedures in national debt related legislation, but there is no systematic mechanism in place to identify and monitor contingent liabilities and other fiscal risks. The procedures for asset transfer or disposal and reporting are clearly established. Asset registries are in place, but assets are not recorded on fair value. Economic analysis is required for major investment project proposals but is done without clear national methodological guidance. Although the total life-cycle cost of major investment projects is projected, the recurrent cost implications are considered separately.

**Figure 1: Summary of Can Tho SNG PEFA Assessment Rating: Indicators by Pillar**

Sub-national PEFA Indicator HLG-1	I. Budget reliability	II. Transparency of public finance	III. Management of assets and liabilities	IV. Policy-based fiscal strategy and budgeting	V. Predictability and control in budget execution	VI. Accounting and reporting	VII. External scrutiny and audit
Transfer from Higher Level of Government	Aggregate expenditure outturn	Budget classification	Fiscal risk reporting	Medium-term budget strategy	Revenue administration	Financial data integrity	External audit
	Expenditure composition outturn	Budget documentation	Public investment management	Budget preparation process	Accounting for revenue	In-year budget reports	Legislative scrutiny of audit report
	Revenue outturn	Central government operations outside financial reports	Public asset management	Legislative scrutiny of the budget	Predictability of in-year resource allocation	Annual financial reports	
		Transfers to sub-national government	Debt management		Expenditure arrears		
		Performance information for service delivery			Payroll controls		
		Public access to fiscal information			Procurement management		
		Public consultation			Internal controls on non-salary expenditure		
					Internal audit		

A
B AND B+
C AND C+
D AND D+
N/A

Guidance for budget preparation is provided without ceilings. The procedures for legislative budget review only include consultation with related Boards of the People’s Council and do not officially include public consultation. The People’s Council always approves the budget before the start of the FY and there are clear rules for budget adjustments by the executive. Although the medium-term perspective is recently introduced, the forecasts underlying the medium-term budget are not subject to macro-fiscal sensitivity analysis and the annual budget is not consistent with the previous year’s estimates.

CCT would benefit from reliable revenue administration, revenue sharing, and cash management, in respective deconcentrated systems operated by the central government. A Treasury Single Account (TSA) is already established for the whole nation. The State Treasury also registers commitments and verifies that all expenditure has been well controlled before payments are processed. The link between personnel records and payroll databases is not yet automated, but changes are well documented and subject to strict managerial supervision. Procurement has improved in terms of transparency, efficiency, and effectiveness. The current control feedback

function rests with the Inspection System, which focuses on compliance checks, while the internal audit function is not yet launched.

Financial data integrity processes are good, with the Treasury and Budget Management Information System (TABMIS) system in place since 2013 and regular reconciliation procedures. Accounting and reporting will be improved with the development of whole-of-government financial statements, likely to be prepared in compliance with International Public Sector Accounting Standards (IPSAS). The current annual budget execution reports are cash-based and are externally audited regularly. The People's Council reviews audit plans and uses the audit findings in its legislative oversight visits to selected departments and units to conduct hearings, enquiries, or debates, however, it does not scrutinize audit reports and has never issued a scrutiny report and/or its own recommendations.

## Impact of PFM Performance on Budgetary and Fiscal Outcomes

### *Aggregate Fiscal Discipline*

Aggregate fiscal discipline is poor, with weak control of the total budget, over-optimistic macroeconomic and revenue forecasts, and insufficient risk management. Macroeconomic assumptions are fixed ahead of every five year "budget stability period" without sensitivity analysis and soon become out-of-date. Analysis of fiscal risks and the fiscal impacts of policy proposals is not sufficiently robust for a credible budget. Significant variance in revenue composition is attributed to over-estimation of shared revenue and changes in tax policies by the central government. The resulting lower shared revenue is made up for by higher efforts in the collection of land revenue and lottery incomes, leading to arbitrary cut-backs during budget execution, particularly on capital expenditure.

On the positive side, fiscal discipline is supported by relatively robust internal controls of payrolls and non-salary expenditure, which result in no expenditure payment arrears. In-year budget adjustments take place with clear rules and procedures, by which social benefits, remuneration to employees, and basic operational expenses are well protected. Reporting on extrabudgetary operations is being improved with the recent introduction of the whole-of-government financial statements. The city registers its assets as required and takes a prudent stance on debt borrowing.

### *Strategic Allocation of Resources*

Substantial variance in expenditure composition and increasing trends of expenditure being carried over from one year to the next reflect the fact that the annual budget is not a credible mirror of policies and plans. Although the medium-term perspective has been introduced recently, it is yet to help link policies, plans, and budgets as policy making, investment planning, and budgeting are carried out independently of each other. While the budget documentation satisfies all the "basic" requirements, the underlying macro-economic assumptions cannot guide the annual budget process with relatively low weight among other factors in decision making.

In accordance with policies on socialization (minimizing the role of the State in public service delivery) and autonomy (stipulating local public service responsibility for the delivery of mandates and organizational structure, personnel, and financial management), public service delivery units (PSDU) are encouraged to self-finance at least a part of their recurrent expenditure by use of service fees and other means, for example by partnering with the private sector. CCT only allocates its budget to cover the gaps to maintain public services as required. This, on the one hand, helped reduce the government's budget allocation to deliver public service. On the other hand, it may create inequality and compromise the accountability of PSDUs. New policies or initiatives are mainly

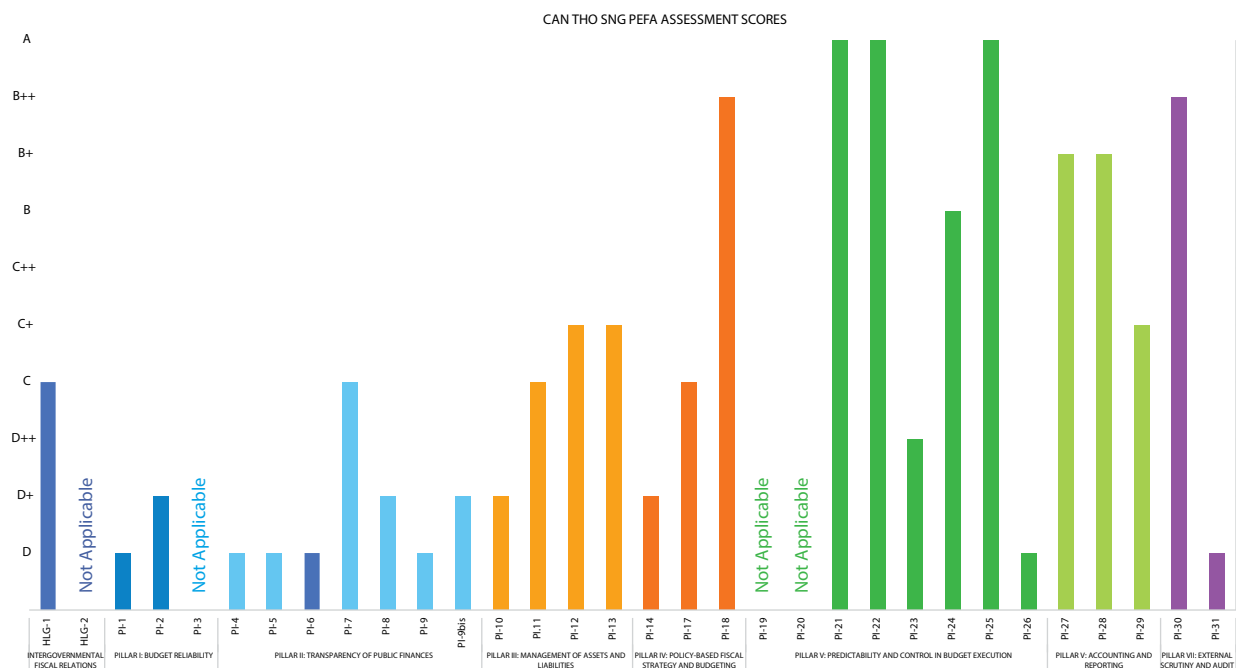
dependent on central government transfers or unpredictable own-source revenue. The total expenditure of extrabudgetary funds is only around 1 percent of the total sub-national budget expenditure.

*Efficient Use of Resources for Service Delivery*

Efficiency gains are achieved in the use of resources for service delivery thanks to improvements in the procurement system and improved control of payrolls and non-salary expenditure. However, the variance in expenditure composition remains large. Neither annual nor in-year budget execution reports allow direct comparison between the original budget and expenditure outturns because of the carry-over practice and lack of economic classification in the presentation of budget plan. Transfers to district governments are mainly rules-based but not very timely. Resource allocation to some public service tasks, in particular public investment projects, is not sufficiently predictable.

Lack of performance information and incomplete and untimely public access to fiscal information are also impediments to the SNG and communities’ ability to monitor service delivery efficiency. The budget allocation and authorization to direct spending units are based on line items or inputs for tasks, which do not support the comparison of service performance with the actual resource received. The internal audit function is not yet in place and the feedback mechanism is reliant on the Inspectorate System. External audit is independent and regular to detect inefficiency in the public sector. The People’s Council uses audit reports for plenary hearings and its oversight missions but neither scrutinizes audit reports nor issues a scrutiny report and/or its own recommendations.

**Figure 2: Summary of Overall PEFA Scores by Indicators<sup>1</sup>**



<sup>1</sup> The PEFA scoring method is summarized in Annex 1.



## Performance Changes since the Previous Assessment

This is the first assessment.

**TABLE 1: OVERVIEW OF THE SCORES OF THE PEFA INDICATORS<sup>2</sup>**

PFM PERFORMANCE INDICATOR		SCORING METHOD	DIMENSION RATINGS				OVERALL RATING
			i	ii	iii	iv	
<b>SNG Pillar: Intergovernmental fiscal relations</b>							
HLG-1	Transfers from higher levels of government	M2	D	D	A	C	C
<b>Pillar One: Budget reliability</b>							
PI-1	Aggregate expenditure outturn	M1	D				D
PI-2	Expenditure composition outturn	M1	D	N/A	A		D+
PI-3	Revenue outturn	M2	N/A	N/A			N/A
<b>Pillar Two: Transparency of public finances</b>							
PI-4	Budget classification	M1	D				D
PI-5	Budget documentation	M1	D				D
PI-6	Sub-national government operations outside financial reports	M2	D	D	D		D
PI-7	Transfers to SNGs	M2	B	C			C+
PI-8	Performance information for service delivery	M2	D	D	C	D	D+
PI-9	Public access to fiscal information	M1	D				D
PI-9B	Public consultation	M2	D	D	D		D
<b>Pillar Three: Management of assets and liabilities</b>							
PI-10	Fiscal risk reporting	M2	C	C	D		D+
PI-11	Public investment management	M2	C	D	D	C	D+
PI-12	Public asset management	M2	C	C	B		C+
PI-13	Debt management	M2	C	A	D		C+
<b>Pillar Four: Policy-based fiscal strategy and budgeting</b>							
PI-14	Medium-term budget strategy	M2	C	D	B	D	D+
PI-17	Budget preparation process	M2	B	D	C		C
PI-18	Legislative scrutiny of budgets	M1	A	B	A	A	B++
<b>Pillar Five: Predictability and control in budget execution</b>							
PI-19	Tax administration	M2	N/A	N/A	N/A	N/A	N/A
PI-20	Accounting for revenue	M1	N/A	N/A	N/A		N/A
PI-21	Predictability of in-year resource allocation	M2	A	A	B	A	A
PI-22	Expenditure arrears	M1	A	A			A
PI-23	Payroll controls	M1	C	A	A	D	D++
PI-24	Procurement management	M2	C	A	B	B	B
PI-25	Internal controls on non-salary expenditure	M2	B	A	A		A
PI-26	Internal audit	M1	D	N/A	N/A	N/A	D
<b>Pillar Six: Accounting and reporting</b>							
PI-27	Financial data integrity	M2	A	A	B	B	B+
PI-28	In-year budget reports	M1	B	A	B		B+
PI-29	Annual financial reports	M1	B	C	B		C+
<b>Pillar Seven: External scrutiny and audit</b>							
PI-30	External audit	M1	A	B	A	A	B++
PI-31	Legislative scrutiny of audit reports	M2	D	N/A	N/A	N/A	D

2 The PEFA scoring method is summarized in Annex 1.



# I COUNTRY AND SUB-NATIONAL GOVERNMENT BACKGROUND INFORMATION

Photos: @Huy Thoai, Sirisak\_baokaew/Shutersctock

## 1.1. Economic Situation

### 1.1.1. Country Economic Situation

1. Vietnam is a country in Southeast Asia with a population that reached 96.2 million people in 2019. The Doi Moi economic and political reforms, launched in 1986, have transformed what was then one of the world's poorest nations into a lower middle-income country. Over the past 30 years, these economic and institutional reforms, together with investments in both physical and human capital, have yielded a spectacular six-fold increase in Vietnam's per capita income, reaching over USD 2,700 in 2019. More than 45 million people were lifted out of absolute poverty. The poverty rate declined sharply from over 70 percent to below 6 percent (USD 3.2/day purchasing power parity).
2. Millions of Vietnamese moved from villages to cities and from subsistence agriculture to wage-paying jobs in services and industry in the decades since the introduction of the Doi Moi reforms. Throughout Vietnam, new and rehabilitated infrastructure connects people to employment, markets, services, and information. Investment in education and health has not only improved the quality of life of millions, but also enabled them to participate productively in Vietnam's development process. In the period 2016-2019, the economy grew 6.5-7 percent annually. The output share of the agriculture, forestry, and fishery sector fell from 17 percent in 2015 to 14 percent in 2019, whereas the service sector expanded from 39.7 percent in 2015 to 41.2 percent in 2018 and 41.6 percent in 2019. The industry and construction sectors remained stable at 33-34 percent from 2015 to 2019. Consumer price index inflation declined from 4.7 percent in 2016 to 3.5 percent in 2018 and 2.8 percent in 2019.
3. Vietnam has gradually shifted from a mostly closed and centrally planned economy to one that is market-oriented and highly integrated into the global economy. In 2019, merchandise exports and imports totaled USD 500 billion, yielding a trade surplus of USD 9.9 billion, breaking the 2017 record of USD 9.0 billion. Foreign direct investment was USD 38.02 billion in 2019, increasing by 7.2 percent from 2018, maintaining a stable share of 23.3 - 23.8 percent of gross investment between 2015 and 2019. Public sector investment grew by 2.6 percent from that in 2018, but its share of gross investment declined from 38 percent in 2015 to 31 percent in 2019. This fall was more than compensated by domestic private investment expanding from 38.7 percent in 2015 to 46 percent in 2019. Overall gross investment grew 10.2 percent in 2019, increasing from 32.6 percent of gross domestic product (GDP) in 2015 to 33.9 percent of GDP in 2019.
4. To sustain the rapid and inclusive growth achieved so far, Vietnam has to address a number of challenges. While the working age population and labor force will continue to expand for another two decades, the rate of increase will have slowed to about 1 percent per annum, markedly lower than the average 2.5 percent expansion during the 1990 to 2013 period. The population is aging rapidly, whereas productivity growth as the main driver of GDP growth in the early phase of Vietnam's economic transition, remains subdued. Despite remarkable achievements in expanding educational attainment and quality, especially at primary and secondary levels, skill levels are not yet commensurate with the demands of a rapidly developing economy.
5. Rapid growth, urbanization, and industrialization are taking an increasing environmental toll. Vietnam is one of the countries in the world most vulnerable to climate change. Vietnam will need to shift to a growth pattern that reduces the strain on the environment. The global shifting of trade patterns, rapidly changing technologies, and climate change present both opportunities for Vietnam as well as new risks. All these challenges put pressure on the country's public finances and make the need to improve public financial management performance a policy imperative.

6. The economy of Vietnam weathered COVID-19 relatively well in 2020, with a growth rate of 2.91 percent and an export surplus of USD 19.1 billion. Thanks to the fiscal space due to disciplinary fiscal consolidation in the previous years, the government was able to launch a comprehensive relief package in combination with serious lockdowns. Nevertheless, tax revenues were strongly affected and concerns were raised about the effectiveness of the social protection system. The country was hit really hard by COVID-19 in Quarter III, 2021, especially in the southern industrial areas in and around Ho Chi Minh city, resulting in an exodus of immigrant workers leaving the industrial provinces to take refuge in their homelands. As an example, CCT's gross regional domestic product (GRDP) grew by 1.02 percent in 2020 (compared with 7.29 percent in 2019) and declined by -2.79 percent in 2021. After a successful and rapid vaccination campaign by the government, the economy started to recover across the board in Quarter IV, 2021.

Table 2. National macroeconomic indicators (%)

	2016	2017	2018	2019	2020e	2021e
<b>National Accounts (% change)</b>						
Real GDP	6.7	6.9	7.2	7.2	2.9	2.6
GDP per capita	5.6	5.9	6.1	6.1	2.0	1.7
Current account balance	0.2	-0.6	1.9	3.7	3.7	-1.1
<b>Employment and inflation (% change)</b>						
Consumer price index (period average)	2.7	3.5	3.5	2.8	3.2	1.8
GDP deflator	1.8	4.4	3.4	1.9	1.6	2.8
Unemployment rate (ILO)	1.9	1.9	1.2	2.0	2.4	2.9
Overall fiscal balance	-3.2	-2.0	-1.0	-0.4	-3.9	-3.8
<i>Primary fiscal balance</i>	<i>-1.6</i>	<i>-0.4</i>	<i>0.5</i>	<i>1.0</i>	<i>-2.6</i>	<i>-2.5</i>
<i>Public and publicly guaranteed debt</i>	<i>47.6</i>	<i>46.3</i>	<i>43.7</i>	<i>41.3</i>	<i>41.7</i>	<i>40.2</i>

### 1.1.2. Main Facts and Economic Indicators of Can Tho City

7. CCT is known as the capital of the southwest region. Situated in the center of the Mekong delta, the city is 169 km from Ho Chi Minh City and around 60-190 km from the other surrounding provinces in the delta, making it an important gateway for the region. The city is linked by several key national roads. It has the Can Tho International Airport which opened in 2008, the Can Tho river port that can receive ships of 10,000 DWT, and the Cai Cui sea port that can receive ships of 20,000 DWT with a through put of 4 to 5 million tons per year. Key facts and selected economic indicators for the SNG are summarized in Tables 3 and 4 below.

Table 3: Summary of Main Facts about Can Tho City

SNG	Detail
Tier of government	Vietnam is structured into 4 hierarchical levels of governments (central, provincial, district, and commune), but the important interface is between the central government and 63 provinces or centrally administered cities referred to as SNGs. The SNG of CCT includes the city government, five urban districts, and four rural districts. There are 85 (urban) wards, (rural) communes, and townships below the district level. This PEFA assessment only covers the city government.
Population	1,235,171 as of April 01, 2019. The urban population is 69.7%.
Main characteristics	CCT is one of five centrally administered cities of Vietnam and is known as the growth locomotive of the Mekong delta. It provides the logistical hubs for aquaculture and agricultural products and is the economic, commercial, educational, and health center for 12 other provinces of the Mekong Delta (Southwest region).
Economy	GRDP in 2019 was estimated at USD 3,856 billion. In 2019, agriculture, forestry, and fishery output accounted for 9.62%; industry and construction for 33.17%; and the service sector for 50.03%.
Services provided by the SNG	CCT provides healthcare, vocational training, and transport services for itself and other provinces in the Southwest region.

Data source: CCT e-Portal

Table 4: Selected Economic Indicators for Can Tho City (2017-2019)

Economic indicators	2017	2018	2019
<b>GDP (USD thousands)</b>	3,228,401	3,609,544	3,856,196
<b>Share of sectors (percent)</b>			
Agriculture	10.41	10.24	9.62
Industry	31.82	33.40	33.17
Services	50.33	49.08	50.03
<b>GDP per capita (USD thousands)</b>	2.64	2.94	3.12
<b>GDP growth rate</b>	6.28	8.15	5.38

Data source: Can Tho Department of Planning and Investment (DPI)

- Can Tho has nine administrative units, including five urban districts (Ninh Kieu, Binh Thuy, Cai Rang, O Mon, and Thot Not) and four rural districts (Vinh Thanh, Co Do, Thoi Lai, Phong Dien). The districts have 85 wards, communes, and towns. The city is situated along 65 km of the western bank of the Hau River in a natural acreage of 1,401 km<sup>2</sup>. It has a population of 1,237,171, equivalent to 7.2 percent of the Mekong delta and 1.3 percent of the nation, of which 97.5 percent are Kinh or Viet people, the most predominant ethnic group in Vietnam. The population density is 858 persons/m<sup>2</sup>, which is twice as much as that of the Mekong delta. The urban population is 69.7 percent.
- GRDP in 2019 was USD 3.85 billion, growing by about 5.38 percent from that in 2018 (five times higher than that in 2005). Within this total, the agriculture, forestry, and fishery sector increased by 0.44 percent (contributing 7.7 percent to the GRDP); the industrial and construction sector by 8.2 percent (contributing 59.3 percent); and the services sector by 8.2 percent (contributing 59.3 percent). The GRDP of Can Tho

contributes about 1.8 percent to the national economy and 12 percent of the Mekong delta's GRDP. GRDP per capita is about USD 3.12 thousands.

### *Agricultural, Forestry, and Fishery Production*

10. Despite being one of the strengths of CCT, agricultural, forestry, and fishery production faced a number of challenges in 2019. Staple food production declined seriously, by 60,386 tons of commodity rice (equivalent to 4.2 percent year on year) due to the conversion of 12,182 hectares of paddy lands to lands for other annual crops and fruit trees. African swine flu broke out, killing 59,260 pigs, equivalent to 3,300 tons of pork. As a result, the sector experienced negative growth (-0.26 percent) in the first half of the year, but due to concerted efforts, the sector ended up growing 0.5 percent for the whole year, contributing 0.05 percent points to overall GRDP growth.

### *Industrial Production and Construction*

11. Key industries in Can Tho include food and seafood processing, pharmaceuticals, mechanical apparel, and construction material production. The main growth drivers are food and seafood processing and construction. Production output growth in 2019 was 11.4 percent in comparison with 2018, of which manufacturing performed very well at 12.5 percent, mining at 3.7 percent, power, natural gas, and steam production and distribution at 9.4 percent, water supply and waste treatment at 9.7 percent, and construction at 7.4 percent.

### *Service Sector*

12. The service sector has been growing consistently by 7 percent or more. A feature of CCT is its ecological waterway tourism, with a number of cultural and historical sites and excellent and rich cuisines of the Mekong delta. As the city with the most developed infrastructure in the delta, Meetings, Incentives, Conferences & Exhibitions (MICE) business tourism<sup>3</sup> is also important. As an important commercial and service hub of the region, the city is successful in attracting a number of domestic and foreign investors in the service sector.

## **1.2. Fiscal and Budgetary Trends in Can Tho City**

13. Can Tho is the only provincial government in the Mekong delta that is self-sufficient and a net contributor to the central government annually. The other 12 provinces in the region are net recipients of annual central government balancing transfers. The major sources of revenue are ones shared with the central government, including value added tax (VAT), corporate income tax (CIT), personal income tax (PIT), excise, and environmental protection tax. Own revenue is only less than 30 percent of the decentralized revenue. The most important own revenue for the city government is the local lottery service income, which can be used for infrastructure development mainly in health and education. In addition, Can Tho receives targeted transfers from the central government, mainly under national targeted programs and sector targeted programs, as do all other provinces.
14. On the expenditure side, one third is transferred to lower governments (the district governments are reliant on the city government for 70 percent of the funding for their spending). Capital expenditure is about 50 percent of the total. The city government invests heavily in health, education, irrigation, aquaculture production, and climate change resilience. With respect to recurrent expenditure, education and training

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<sup>3</sup> MICE is business tourism at its finest, aimed at bringing together top professionals from every sector in an enhanced, tailor-made hospitality setting.

accounts for about 25 percent, of which one third goes to training and vocational training. General public and administrative services account for 20 percent of total recurrent spending. Health spending is about 15 percent and one fifth of that goes to health insurance card subsidies for the poor, children aged below 6, and students. As explained below, the fiscal and budgetary trends are basically fixed in the ‘budget stability period’ over 2016-2020, which is renewed every five years.

Table 5. Aggregate Fiscal Data of Can Tho City (million VND)

	2017	2018	2019
Total revenue	9,889,685	11,049,112	10,973,578
Own revenue	8,799,583	8,738,478	8,582,183
Grants	1,090,102	2,310,634	2,391,395
Total expenditure	10,238,385	11,891,512	11,443,578
Noninterest expenditure	10,238,385	11,879,112	11,423,578
Interest expenditure		12,440	20,000
Aggregate deficit (incl. grants)	1,438,802	3,153,034	2,861,395
Primary deficit	348,700	842,400	470,000
Net financing			
External	348,700	842,400	470,00
Domestic	-	-	-

Data source: Department of Finance (DoF)

### 1.3. Intergovernmental Fiscal Arrangements

15. Vietnam is structured into four hierarchical levels of governments (central, provincial, district, and commune). The country is divided into 63 provinces. CCT is one of the five major cities (Hanoi, Ho Chi Minh City, Da Nang, Hai Phong, and Can Tho). These are all granted provincial status and are referred to as centrally administered cities. Even though Vietnam is a unitary country, the 2002 State Budget Law provided a system of inter-governmental fiscal relations with strong federalist features. The Law gives provincial governments freedom to organize the budgets of local governments.
16. The whole-of-government budget, referred to as the state budget, consists of the central government and the 63 SNG budgets. The SNG budget for a province is amalgamated from the provincial government budget and all budgets of the district government in its jurisdiction. The district government budget is consolidated from the budgets of that district government and all communes and/or wards and/or towns below it. This budget system is referred to as the nested budget or Matruska doll model.
17. According to the revised State Budget Law 83/2015/QH13, each province assumes its own revenue and also the revenue shared between the central and respective sub-national governments. The revenue share ratios are determined by three steps for equity purposes: Step 1- determining the spending need of each province on the basis of budget allocation norms, which is mainly population-based; Step 2- determining own revenue of the province and the total revenue pool to be shared; Step 3- determining the revenue

shares by the formula: own revenue + shared revenue = spending need. Unconditional balancing transfers are designed to close the gap (if any). The Law also allows provinces to borrow for capital expenditure.

18. In an effort to grant more autonomy to provincial governments and reduce the time and cost of budget negotiations, the State Budget Law 2015 specifies a *budget stability period* of five years. During the stability period, the revenue shares (based on expenditure needs) are fixed between government levels but the amount of balancing transfer may increase, depending on the fiscal capacity of central government. Accordingly, the first year of the budget stability period is very important, when the budget allocation norms and revenue share ratios are renewed by the Standing Committee of the National Assembly as recommended by the Ministry of Finance (MoF) and the Ministry of Planning and Investment (MPI).
19. Within a province, the Provincial People's Council assumes the legislative power to decide on specific inter-provincial fiscal relations. Given pre-defined budget revenue sources and expenditure mandates for SNGs, the Provincial People's Council decides on specific decentralization of revenue sources and expenditure mandates for district and/or commune governments. Some provinces might choose to decentralize some spending functions (such as healthcare) to district governments, while some spending functions, such as general education, are structured uniformly across provinces. Provinces may decide to centralize some other spending functions, such as healthcare, to the provincial government. In the case of Can Tho, the city government has centralized almost all health services for all city, district, and even commune levels. In the education sector, the city government is responsible for universities, colleges, upper-secondary schools and combined secondary schools, and some other important institutions at lower levels. The district governments are mainly responsible for lower-secondary schools and primary schools. The commune governments are responsible for pre-primary institutions.

### 1.3.1. Assignment of Expenditure Responsibility

20. The assignment of expenditure between the central and sub-national governments is broad and vague. Both the central and sub-national governments seem to share the same 13 spending functions according to the existing legislation.<sup>4</sup> In practice, the central government is responsible for nationally important investment projects and major regional investment projects, as well as operational spending functions such as foreign affairs, national defense, and security. SNGs also have partial responsibility for some of these functions (e.g. national defense and security). In public service delivery, SNGs have a higher presence in the state budget than central government. For example, in the case of education, practically all expenditure in pre-primary, primary, lower, and upper secondary education is at the sub-national level. However, the assignment of sub-provincial expenditure responsibilities is not uniform across provinces (see the example of CCT in the previous paragraph).

### 1.3.2. Tax Revenue Sharing

21. The central and sub-national governments both have their own revenue and shared revenue. The assignment of revenue sources is based on the administrative ability to control principles. While the central government retains all net trade revenue and oil revenue, most major domestic revenue is shared between central and sub-national governments, including VAT, CIT, PIT, special excise on domestic goods, and environmental protection tax based on fixed revenue share ratios that are predetermined by the National Assembly every five years based on the estimates of the SNG's revenues and expenditures. The own revenue of SNGs includes natural resource tax (excluding oil revenue), land-related revenue, own capital revenue,

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<sup>4</sup> The 2015 State Budget Law and Decree No. 163/2016/ND-CP, dated December 21, 2016, promulgating specifications for the implementation of the State Budget Law.



all local service charges, and fees. The most important own revenues are generally land-related capital revenue and recurrent lottery service income.

22. The central government is responsible for the collection of most revenue, except some local fees and charges. Both owned and shared revenues are allocated to budget accounts of respective governments on a daily basis. The unique feature of the budget revenue sharing arrangements in Vietnam is that different revenue sharing ratios are applied to different provinces, but they are uniformly the same across all the shared revenue. Each province then decides the revenue sharing ratios to its respective districts (see example below). According to Point 4, Article 18, Decree No 163, the same revenue share ratio is applied for all shared revenue for one province. The province can then decide on the revenue share ratios for its own districts. The revenue shares combined with balancing transfers are instrumental for equalization purposes. The poorest provinces are often allowed to retain all shared revenue. Nevertheless, vertical imbalances do take place. In 2019, only 16 provinces were self-sufficient and/or were net contributors to the central government. The remaining 47 provinces retained all shared revenue and received balancing transfers from the central government.

#### Example of Revenue Sharing Ratios in Can Tho City<sup>5</sup>

Shared revenue	Ninh Kieu district <sup>6</sup>			Other urban and rural districts		
	Central gov.	City gov.	District gov.	Central gov.	City gov.	District gov.
1. Revenue collected from non-public sector in the local jurisdiction						
- Value added tax	9%	59%	32%	9%	4%	87%
- Corporate income tax	9%	41%	50%	9%	4%	87%
- Excise	9%	41%	50%	9%	4%	87%
- Natural resource tax		0%	100%		0%	100%
- Other revenue		0%	100%		0%	100%
2. Environmental protection tax on domestically produced goods	9%	91%	0%	9%	91%	0%
3. Personal income tax	9%	6%	85%	9%	4%	87%

#### 1.3.3. Intergovernmental Transfer

23. As described above, unconditional balancing transfers are formulae-based for equalization purposes. Better off provinces do not receive balancing transfers. However, unlike shared revenue that is fixed, balancing transfers for SNGs can increase over the 'budget stability period', depending on the fiscal capacity of the central government. Targeted transfers are used to finance (i) new and unfunded policies of the central government; (ii) national target programs or other programs and projects of the central government; (iii) disaster relief and recovery if the SNGs have exhausted their contingency reserves; and (iv) critical SNG projects (no more than 30 percent of the total capital construction expenditure of the central government). The balancing transfers are predictable over a 'budget stability period' and target transfers to programs of the central government that are also basically predictable.

<sup>5</sup> Resolution No. 11/2017/NQ-HDND, dated December 07, 2017, of the People's Council of Can Tho City, on decentralization of revenue sources and expenditure mandates for the budget stability period 2017-2020

<sup>6</sup> Ninh Kieu is the most important district of CCT.

### 1.3.4. Sub-National Borrowing

24. According to the State Budget Law 2015, only provincial SNGs can borrow to finance their budget deficits and refinance their debt. District and commune governments are not allowed to run budget deficits. All SNGs can borrow in local currency from the domestic markets, from the State Treasury's cash balance, and from its own financial reserve fund or by issuing domestic municipal bonds. They cannot borrow from external sources directly and can borrow only from on-lending of the government's external borrowing. The Law sets a limit on sub-national debt stock at 20-30 percent of the decentralized revenue for most SNGs, depending on their fiscal capacity, and is higher for some cities that can apply a special mechanism (e.g., Hanoi, Ho Chi Minh City).<sup>7</sup> In addition, the National Assembly also approves the maximum annual debt borrowing limit for each SNG. As a rule, debt can only be used to finance investment expenditure.

## 1.4. Institutional Arrangements for PFM

### 1.4.1. Overall Institutional Arrangements for PFM

25. The Constitution (revised in 2013) defines the overarching institutional arrangements of Vietnam, with three branches of government (the legislative body, the executive body, and the judiciary body) and four levels of government (national, provincial, district, and commune). The Constitution stipulates the unity of the PFM system of Vietnam, in which the state budget consists of the central government budget and SNG budgets. The central government assumes the lead role for the whole of government. All state budget revenue and expenditure must be included in the state budget plan enacted by legislative powers to be legitimate.
26. At national level, the legislative power resides in **the National Assembly**, which according to Article 70 of the Constitution: (i) decides core national financial and monetary matters; (ii) revises or revokes taxes; (iii) decides the revenue sharing and expenditure assignments between the central and sub-national governments; (iv) decides an annual state budget plan and the central government appropriation plan; and (v) approves the annual state budget final accounts.
- As the National Assembly only meets twice a year and most of its members work mainly part-time, **the Standing Committee of the National Assembly** is established to make important legislative decisions, including key PFM decisions. The Standing Committee consists of the Chair, Deputy Chairs, and important members of the National Assembly. It assumes the powers to dismiss Provincial People's Councils and revoke Provincial People's Councils' decisions, among others.
  - The National Assembly also has **the Committee for Financial and Budgetary Affairs** that operates via four sub-committees (i) Budget Review and Coordination; (ii) Budget Revenue and Financial Markets; (iii) Public Investment; and (iv) Public Accounts and Auditing.
27. On the executive side, **the Prime Minister** is the head of the national government. Once the annual budget is approved by the National Assembly, the Prime Minister authorizes the budget allocations to ministries and lead agencies of the central government and 63 provincial governments. In the central government, the ministries and lead agencies are referred to as tier-1 budget institutions, they in turn allocate budgets to tier-2 and tier-3 institutions, which are intermediary and/or direct budget spending units. The same is done for the other government levels. Budget execution reports are rolled up from the lowest tiers of

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<sup>7</sup> According to the National Assembly's Resolution No. 45/2022/QH15, on special mechanism and policies for the development of CCT, the debt limit is up to 60% of its decentralized revenue.

budget spending units to tier-1, consolidated for each level of government and eventually for the whole of government.

28. The State Budget Law 2015 sets out the budget coverage, structure, processes, responsibilities, key budget management systems, principles, and rules, including fiscal decentralization arrangements. For the first time, the 2015 Law introduced a medium-term perspective to the budget by requiring the preparation of fixed five year financial plans and rolling three year financial budgetary plans (FBP), in addition to the annual budget plan. Like the annual budget plan, the fixed five year financial plan (and the five year public investment plans prepared within the framework of the five year financial plan) is approved by legislative bodies of both the central and sub-national governments. The three year FBPs are also submitted to legislative bodies but only as reference information.
29. The State Budget Law 2015 also, for the first time, officially allows provincial level SNGs to run deficits and to finance their deficits by borrowing within debt stock and borrowing limits decided by the National Assembly. The Law allows the national government to veto the budgets approved by lower governments. It strongly requires public disclosure and community-based scrutiny of the state budget. The State Budget Law is the only legislation to govern the management of extra-budgetary funds. It is supported by other PFM laws, including the Public Investment Law (revised in 2019); the Public Debt Management Law (revised in 2017); the Law on the Management and Use of Public Assets (2017); the Public Procurement Law (PPL) (issued in 2013); the Accounting Law (2013); and the State Audit Law (2015) as well as a number of government decrees, ministerial circulars, and other regulatory documents as guidelines for the implementation of the laws.
30. Vietnam has a dual budget system. The MPI is responsible for the capital budget and the MoF is responsible for the overall fiscal framework and the recurrent budget. The MoF operates three de-concentrated and highly computerized systems covering tax, customs, and state treasury, plus a centralized public asset registry system and public debt recording system. The MoF's deconcentrated systems reach out to provincial and district levels with their respective local offices operated under a dual subordination mechanism (which means they are also accountable to the SNGs). The MPI is responsible for two centralized information technology (IT) platforms (the investment project monitoring system and the national electronic procurement system–VNEPS) among other functions, including socio-economic development planning where the de-concentrated offices are not in place.
31. With respect to budget execution and its control, the State Treasury is responsible for the register of major commitments and control of the remaining budget balances of every budget spending unit. For this purpose, it uses an automated treasury-centric system (TABMIS). In addition, it also performs expenditure verification/controls in its processing of requests for payments submitted by spending units. Because all budgetary payments have to pass both the manual expenditure controls and the budget balance check procedures of the State Treasury, it is confident that no payment arrears can incur. The State Treasury is also responsible for revenue paid into its collection accounts opened in commercial banks for daily reconciliation with the revenue administration systems (tax and customs) and for the issuance of government bonds in domestic markets. The State Treasury established a TSA system in 2019 and is working toward active cash management.
32. The internal audit function is almost non-existent in Vietnam except in one or two agencies such as the MoF. Instead, there is a complicated network of inspectorates that are more control orientated, including (i) the [National] Government Inspectorate, (ii) ministerial inspectorates, (iii) provincial government inspectorates; (iv) provincial department inspectorates, (v) other sector-specific inspectorates, plus the

people's inspectorates established in all grassroots-level organizations.<sup>8</sup> At institutional level, controls are mainly governed by the Accounting Law and numerous accounting regimes applicable to different types of organizations (such as direct budget spending units, tax authorities, and extra-budgetary funds). In addition to the Treasury's accounting system, every budgetary unit operates its own accounting system to capture not only its own budgetary operations but also quasi-budgetary or extra-budgetary operations under its scope of service delivery.

33. The external audit function rests with the SAV. The SAV operates in accordance with the provisions of the Constitution and the State Audit Law. The SAV has to report its audit and operational results to the National Assembly. The Constitution stipulates that the SAV is an agency established by the National Assembly to perform independent scrutiny of the management and use of public finances and property. The State Auditor-General is the head of the SAV, appointed by the National Assembly. The National Assembly is consulted on the annual SAV plan. Audit reports are used by the People's Council to inform their oversight functions.

#### 1.4.2. Sub-National Institutional Arrangements for PFM

34. CCT has three budgetary government levels, (i) the city government, (2) urban and rural districts, and (3) towns, wards, and rural communes, which together constitute the SNG.<sup>9</sup> The sub-national institutional arrangements for PFM are almost identical to the national ones. The SNG consists of the **Provincial People's Council** and the **Provincial People's Committee**.<sup>10</sup>
35. The Provincial People's Council possesses the legislative power within the SNG that includes sub-provincial decentralization arrangements, local budget allocation norms and cost norms, locally collected revenue, socio-economic development plans, budget plans, and to approve the SNG budget final accounts, among others. Similar to the National Assembly, it also has a Standing Committee and Committee for Economic & Budgetary Affairs, responsible for key PFM legislative functions.
36. Once the Prime Minister authorizes the budget allocation to the SNG, the Provincial People's Council formally votes on the whole SNG budget plan and the city government appropriation plan, the total of which can be the same or marginally higher than approved by the Prime Minister. In budget voting, the SNG is not required to follow exactly the national budget priorities, with the exception of legally required expenditure on education and training (20 percent), science and technology (2 percent), and environmental protection (1 percent). The sub-national budget allocation norms might also be revised to be more specifically input-based rather than population-based. After the budget is voted, the Provincial People's Committee authorizes the budget to tier-1 budget institutions and districts. The process is repeated at district level and commune level.

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8 The purposes of inspection are (i) to detect loopholes in policies and legislation, and act as a mechanism for recommendations to relevant authorities; (ii) to help organizations and individuals act in compliance with laws; (iii) to encourage efficiency and effectiveness of the state administration; (iv) to protect the interests of the state and the legitimate rights and interests of organizations and individuals. State Inspectorates perform administrative inspection and specialized inspection activities. They assist the government, ministries, people's committees, sector departments, and other parent agencies in overseeing and conducting inspection activities, handling complaints and appeals, and anti-corruption activities. People's inspectorates are established in wards, communes, and towns under the guidance of the Vietnam Fatherland Front as well as in administrative agencies, PSDUs, and state-owned enterprises (SOE) under the guidance of the Labor Union Commission, to help scrutinize compliance with laws, how complaints are resolved, and how grassroots democracy is practiced.

9 This PEFA assessment only covers the city government.

10 The Constitution and the Law on the Organization of Sub-National Governments.

Table 6. Budgetary Units of the SNG – Number of Entities

Budgetary units	Budgetary units	Extra budgetary units	Public corporations
Number	117	16	8
Expenditure (VND million)	9,878,778	124,735	3,859,609

Data source: Department of Finance, CCT 2019 financial statements

37. The Provincial People’s Committee is appointed by the People’s Council as an executive body also for a term of five years. The Provincial People’s Committee carries out its executive functions through provincial departments and agencies. Two key PFM departments are **the DPI** and **the DoF**. The DoF relies on the MoF’s three de-concentrated systems (i.e. taxation, customs, and treasury) to carry out its functions. However, the DPI does not seem to have full access to VNEPS and the investment project monitoring system of the MPI. The DoF relies on reports from project management units (PMU) for public debt information and the MoF’s asset registry to obtain (incomplete) information on public assets reported by budget spending units.<sup>11</sup>
38. Decentralized revenue is largely dependent on the state budget revenue collected in the local jurisdiction. The SNG can therefore be rewarded for over-realized revenue in its local jurisdiction. The DoF and other sub-national agencies work closely with the de-concentrated tax offices and customs offices in their revenue collection efforts. The State Treasury makes sure that the collected revenue is shared in almost real time and that cash is always available for legitimate payments from budget fund balances. External audit is provided by the SAV Regional Office No. 5 (SAV-5), which is based in CCT. The SNG’s public service delivery responsibilities are shared among the city’s departments, districts, and communes.

## 1.5. Arrangements for Service Delivery

### *National Context - Legislation and Regulations*

39. Sub-national public service delivery is organized mainly through decentralized arrangements. Sub-national entities are the main providers of infrastructure and public services to a growing share of the population and economy. Sub-national spending accounts for over 55 percent of consolidated expenditure, 70 percent of total public investment, 60 percent of transport expenditure, 90 percent of education expenditure, and 80 percent of health sector expenditure. Given a lack of de-concentrated central government agencies to pursue national objectives, central government ministries and agencies need to rely on different levels of local governments for the implementation of national target programs, such as on sustainable poverty reduction, or target programs, such as on school rebuilding. Sector ministries or central government agencies often design and fund these programs, while sub-national authorities are in charge of implementation and sometimes co-financing of the programs.
40. Reforms in public service delivery were initiated by Decision No. 136/QĐ-TTg, dated September 17, 2001, on Approval of the Overall Program for State Administrative Reforms over 2001-2010, which called for a clear distinction between administrative units and PSDUs. Since then, PSDUs have been defined as legal entities established by state authorized agencies, political organizations, or politico-social organizations to provide public services to support state administration. Accordingly, administrative units provide policy functions as well as administrative and regulatory functions. PSDUs provide common public services to

<sup>11</sup> The national asset registry only captures office buildings and land, cars, and assets of more than VND 500 million as reported by budget spending units, as well as rural water supply and road infrastructure.

the general public or target groups, including education, training, healthcare, and social protection. PMUs are established to acquire infrastructure. Public utilities, such as telecommunications, power, water supply, and waste management, are mostly provided by public or privatized corporations. Law on Cadres and Civil Servants and Law on Public Employees 2019 define the PSDUs' staff as public employees instead of civil servants.

41. Reforms in PSDUs are mainly characterized by (i) the policy on socialization of public service delivery (the socialization policy) and (ii) the regime of autonomy in PSDUs (the autonomy regime). The socialization policy was formally legislated by Government Decree No. 69/2008/ND-CP, dated May 30, 2008, promulgating policies to promote socialization of education, vocational training, health, culture, sports, and environmental protection services. The Decree specifies incentives in land allocation, land leasing, tax incentives, credit enhancement, and allows PSDUs to mobilize capital from employees and others and to enter into joint ventures or associations for the delivery of public services.
42. The socialization policy aims to minimize the role of the state in public service delivery. Accordingly, the state only acts as the regulator to make sure that public services are available instead of acting as the provider, following the new public management paradigm. In Vietnam, the state is ultimately responsible for ensuring that public services are available, but the socialization policy is interpreted as a transition to delivery of public service activities by non-public providers, enabling mobilization of the resources of citizens, social, and professional organizations. The socialization policy is realized by (1) contracting out public service delivery mandates to any capable non-profit or private providers (for example, waste collection and management); (2) commercializing some public services to non-state and non-profit providers (for example education and healthcare); and (3) privatizing some other public services, while the state continues to supervise and regulate the services for compliance with laws.
43. The regime of autonomy applicable to PSDUs was formalized by Government Decree No. 16/2015/ND-CP (Decree No. 16), which stipulates the regime of autonomy, self-responsibility in the delivery of mandates, organizational structure, personnel, and financial management of PSDUs. Decree No. 16 is an umbrella decree that requires ministries to work out the mechanisms for their respective sectors, but progress has been slow. Decree No. 16, for the first time, groups PSDUs into (i) PSDUs that can fully self-finance their capital and recurrent expenditure; (ii) PSDUs that can fully self-finance their recurrent expenditure; (iii) PSDUs that can partially self-finance their recurrent expenditure and rely on the state budget for the rest; and (iv) PSDUs that fully rely on the state budget. At the same time, Decree No. 16 also requires sector ministries to develop roadmaps for market-based pricing of public services. PSDUs that are not using the state budget can charge market-based prices and decide their own revenue types and fee rates for cost recovery and a relevant profit margin in compliance with laws.
44. The above reforms aim to incentivize public service delivery expansion and quality and to boost public employees' moral and performance. They also represent a shift from funding provider to funding users. In 2019, the socialization policy and the autonomy regime saved the Ministry of Health's state budget VND 8,889 billion (USD 0.4 billion) in 55 out of 63 provinces, which could be used to subsidize health insurance card purchase for the poor and other policy-targeted groups.

### *Can Tho City's Public Service Delivery*

45. In its unique position as the most important city of the Mekong Delta, CCT delivers tertiary health and education for its own citizens and also to surrounding provinces. As a regional hub for tertiary health care, the city provides 12 general hospitals, 12 specialized hospitals, and more than 90 other health facilities. As a regional hub for tertiary education, vocational training, and research and development, there are

five universities, 10 colleges, 14 professional secondary schools, one national research institution, and 73 vocational training facilities, accounting for 41 percent of all vocational training institutions in the region. The city is also a transport and logistical hub for the whole region, with a busy airport, three seaports (Tra Noc, Hoang Dieu, and Cai Cui), two national in-land waterways connecting regional provinces to Ho Chi Minh City, one expressway, and six national roads connecting to other regional provinces.

46. In the time period of this PEFA assessment,<sup>12</sup> the city government was responsible for 131 out of 582 PSDUs of the whole SNG (the district governments are responsible for 451 units). Of these, the city's Provincial People's Committee is responsible for 12 PSDUs, its sector departments are responsible for 107 PSDUs (30 in education, 35 in health, and 45 in other sectors) and sub-departments are responsible for 12 PSDUs. Below is the classification by levels of financial autonomy:

	PSDUs directly under the Provincial People's Committee	PSDUs under the city's sector departments	PSDUs under the city's sub- departments	PSDUs under urban and rural district governments	Total number of PSDUs
PSDUs fully self-financing both capital and recurrent expenditure	0	0	0	0	0
PSDUs fully self-financing recurrent expenditure and relying on the state budget for capital expenditure	4	19	02	14	39
PSDUs partially self-financing recurrent expenditure and relying on the state budget for the rest	7	45	1	11	64
PSDUs fully relying on the state budget	1	43	9	426	479
<b>Total</b>	<b>12</b>	<b>107</b>	<b>12</b>	<b>451</b>	<b>582</b>

<sup>12</sup> Decision No. 2981/QĐ-UBND, dated November 14, 2008, of the People's Committee of CCT, on Approval of the Program on Restructuring and Improving the Quality and Performance of the Sub-national PSDUs up to 2020.



## II

# ASSESSMENT OF PFM PERFORMANCE

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## SNG PILLAR: Intergovernmental Fiscal Relations

### HLG-1. Transfers from Higher Level Government

47. **The HLG-1 indicator assesses the extent to which transfers from HLG to the SNG are consistent with original approved HLG budgets and are provided according to acceptable timeframes.** The indicator contains three dimensions and uses the M2 (WL) method<sup>13</sup> for aggregating dimension scores examining data from 2017, 2018, and 2019.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>HLG-1. Transfers from a higher-level of government (M2)</b>	C	
<b>HLG-1.1: Outturn of transfers from higher-levels of government</b>	D	Actual transfers were 78%, 84%, and 86% of the original budget estimate in the three years 2017-2019, or none of last three years met "C" score requirement of this ratio of between 92-116%.
<b>HLG-1.2: Transfer composition outturn</b>	D	Variances in transfer composition in 2017, 2018, and 2019 were 22, 16, and 14% respectively. Only year 2019 met "C" score requirement of the variance of less than 15%.
<b>HLG-1.3: Timeliness of transfers from higher-levels of government</b>	A	The MoF's information on budget plans assigned to the city was made in about November every year before commencement of the new FY.
<b>HLG-1.4: Predictability of transfers</b>	C	The MoF provides information on budget transfers for the FY and two following years, but does not provide clear explanation about changes between the current and the previous year.

48. According to the PEFA Sub-National Guidance, transfers from HLG include all revenue transferred either in the form of block or earmarked grants, as well as shared revenue not collected by the SNG. The assessment coverage, therefore, includes (i) all shared revenue, (ii) balancing transfers, and (iii) targeted transfers. It is important to note that the revenue shared in percentages account for 63 percent of the decentralized revenue for the SNG. As a self-sufficient SNG, in principle CCT does not receive balancing transfers. The city only receives targeted transfers, which account for about 27 percent on top of the decentralized revenue.
49. The revenue that is shared in percentages between the central and sub-national governments includes VAT, CIT, PIT, excise tax, and environment protection tax on domestic goods in accordance with the State Budget Law, Article 35.2. The SNG, in turn, shares the amount in fixed ratios between the city government and district governments (*please see paragraph 22*). These are the most important revenues, and the percentages are subject to budget negotiation between the MoF and CCT. The revenue sharing ratio of 9/91 was applied for the budget stability period between 2017-2020.<sup>14</sup>
50. The balancing transfer functions essentially as a gap-filling transfer. CCT is, in principle, a self-sufficient SNG so is not entitled to a balancing transfer, which is formula-based and more reliable. However, the gap-filling function was triggered in the period. As an example, CCT received a balancing transfer in 2018, when the

<sup>13</sup> See Annex 1 for an explanation of the scoring of the performance indicators

<sup>14</sup> Resolution No. 11/2017/NQ-HDND, dated December 07, 2017, of the People's Council of Can Tho City, on Decentralization of Revenue Sources and Expenditure Mandates for the Budget Stability Period 2017-2020.

city experienced major shortfalls in shared revenue just one year after the revenue sharing ratio (9/91) was decided.

51. Targeted transfers consist of pre-set and in-year transfers for both capital and recurrent budgets. The capital budget transfer from the central government to sub-national governments aims to provide funding support to implement important public investment projects and programs in the province, which are not affordable from the province's capital budget itself. The total envelope of capital budget transfer is project-based, defined for the entire five year period, and is inserted in the central government medium term public investment plan (MTIP). Every year, depending on budget availability, the MoF, in coordination with the MPI, notifies recipient provinces about the preset transfer amount for the budget year, based on which the province can formulate its annual public investment plan.
52. In-year additional capital transfer may occur if actual project implementation is faster than the planned schedule. the SNG can ask for additional transfers, providing the cumulative transfer amount does not exceed the funding commitment for that project as set in the central MTIP. To do that, the city has to send its proposal for additional transfer to the MPI, annexed with certification of Treasury on actual up-to-date disbursement. The MPI, in consultation with the MoF to check budget availability, decides on the actual additional transfer. In case additional transfers cannot be made within the year, the SNG may use its own budgetary resources to pay contractors in advance and get reimbursed from the following year's transfer budget. In this case, an acceptance letter must be sent by the MPI to the province as a legal basis for the province to make advance payment.
53. Preset recurrent targeted transfer is estimated to ensure the budget is sufficient to implement centrally issued policies such as periodical salary increase and subsidies to eligible beneficiaries of different social policies. In-year recurrent transfer is made when there is below-target collection or an unexpected change in spending need occurs, for example due to underestimation of the number of recipients or in-year issuance of new policies. Before 2017, the revenue target assigned to CCT was based on the MoF's unrealistically high revenue projections, which had to be continuously adjusted upward year-by-year, leading to chronic revenue shortages. Since 2017, the MoF has used the previous year's actual revenue as a base for setting revenue target for the budget year. Since then, CCT's revenue shortage phenomenon has been reduced. In this case, the city is expected to use its own local budget to cover the funding gap, which will be reimbursed by the central budget in the next year's budget plan.

### **Dimension HLG-1.1 Outturn of Transfers from the HLG**

54. *This dimension measures the outturn of transfers from higher-levels of government.* The actual transfer against original budget estimates in 2017-2019 is shown in table HLG.1.1 below. The actual transfer was 78 percent, 84 percent, and 86 percent of the budgeted estimates in 2017, 2018, and 2019 respectively.

Table HLG.1.1: Outturn of Transfers from the HLG

Unit: VND million

Aggregate expenditure	2017				2018				2019			
	Budget- ed	Actual	Actual vs. Bud- geted	Vari- ance	Budget- ed	Actual	Actual vs. Bud- geted	Vari- ance	Budget- ed	Actual	Actual vs. Bud- geted	Vari- ance
	(VND million)		(%)		(VND million)		(%)		(VND million)		(%)	
1. Shared revenue, of which	6,570,095	5,008,115	76	-24	6,199,353	5,469,905	88	-12%	7,618,200	7,245,468	95	-5
- VAT	3,182,091	1,983,423			2,603,397	2,059,305			2,511,600	2,371,567		
- Excise tax	1,639,029	1,307,160			1,699,698	1,360,842			1,555,100	1,513,701		
- CIT	843,472	798,504			921,102	900,158			871,500	1,260,225		
- PIT	616,640	626,421			696,150	708,558			880,000	837,673		
- Environmental protection	288,862	292,606			279,006	441,041			1,800,000	1,262,302		
2. Recurrent transfer	0	204,304	100	+100	289,484	351,547	121	+21%	654,146	35,000	5	-95
3. Capital transfer	1,090,102	747,768	69	-31	2,021,150	1,351,341	67	-33	1,261,643	959,386	76	-24
TOTAL	7,660,197	5,960,187	78	-22	8,509,987	7,172,793	84	-16	9,533,989	8,239,854	86	-14

Source: DoF.

55. The estimates of targeted recurrent and capital transfers assigned by the MoF to CCT in 2017-2019 were made in Decision 2577/QĐ-BTC dated 11/29/2016, Decision 2465/QĐ-BTC dated November 29, 2017, and Decision 2231/QĐ-BTC dated November 23, 2018. However, those estimates did not take into account possible in-year changes in policies, cost norms, and beneficiary coverage. When those changes emerged, CCT had to advance the city budget to implement the policies, and request reimbursement from the MoF in the next budget year. For example, in the Official Letter No. 824/UBND-KT of CCT's People's Committee (dated August 22, 2018) to the MoF on the actual purchase of health insurance cards for targeted beneficiaries in 2017, the CCT presented the actual payment of VND 185 billion, but the target transfer from the central budget to the CCT budget (as assigned by the MoF) was only VND 156 billion, resulting in a shortfall of VND 29 billion. CCT then requested the MoF to reimburse 80 percent of the gap in its 2018 assigned budget. By this practice, the gap between budgeted and actual targeted transfer was large in all years. To score "C" it is required that actual transfers were between 92 percent to 116 percent of the original budget in at least two of the last three years. Since the highest ratio between actual transfer and original budget in CCT was 86 percent in 2019, the dimension is rated "D".

**Based on the analysis and supporting evidence the score for this dimension is D**

## Dimension HLG-1.2 Transfers composition Outturn

56. *This dimension measures the difference between the actual and estimated transfers of earmarked grants. The variance should be calculated between three categories of transfers in accordance with PEFA Sub-national Guidelines, including (1) a bucket containing all unconditional transfers that are shared revenue, (2) the recurrent targeted transfers, and (3) the capital targeted transfers. To score "C" it is required that variance in transfer composition was less than 15 percent in two of the last three years. As shown in Table HLG 1.1, the variance was less than 15 percent only in 2019, so this dimension is rated "D".*

**Based on the analysis and supporting evidence the score for this dimension is D.**

## Dimension HLG-1.3 Timeliness of Transfers from the HLG

57. *This dimension assesses the in-year timeliness of transfers from HLGs, with reference to timetables for in-year distribution of disbursements. A shared revenue target was included in the annual budget plan, which was approved by the City People's Council prior to commencement of the FY, as required by the State Budget Law. There is no specific timetable for shared revenue collection. Targeted transfer is subject to negotiation between the MoF and the City in July or August of the current year. Once the transfer amount is agreed, it will be included in the budget year's budget plan assigned by the MoF to the City. During 2017-2019, there was no in-year additional transfer. Therefore, actual budget transfer was made on time.*
58. *The MoF's assignment of budget plans 2017-2019 to the City was made by Decision 2231/QĐ-BTC, dated November 23, 2018, Decision 2577/QĐ-BTC dated November 29, 2016, and Decision 2465/QĐ-BTC dated November 29, 2017. Based on that, the City People's Council may top-up some of the MoF's target for tax revenue collection. Approved shared revenue targets were included in annual budget plans. For FY 2017, 2018, and 2019, they were provided by Decision 231/QĐ-UBND dated February 02, 2017, Decision 3435/QĐ-UBND dated December 21, 2017, and Decision 3363/QĐ-UBND dated December 20, 2018 respectively. All assigned transfer amounts were made on time prior to commencement of the FY.*

**Based on the analysis and supporting evidence the score for this dimension is A.**

## Dimension HLG-1.4 Predictability of Transfers

59. *This dimension assesses the extent to which the HLG provides information to the SNG on the amount and composition of transfers for the current FY and the two following FYs. Information on the assignment of targeted transfer to the city is made on a three year basis via a Letter from the Minister of Finance. The Letter provides information on projected domestic revenue, balancing budget expenditure, and targeted transfers from budgetary central government to SNG. For example, three year information on the targeted transfer to CCT for 2017-2019 was provided in MoF Letter 7755/BTC-NSNN on indicative revenue and expenditure in 2019-2021 dated June 28, 2018.*

Table HLG-1.4. Indicative Revenue and Expenditure of Can Tho City in 2019-2021

Unit: VND million

No	Content	2019	2020	2021	2019-2021
I	Domestic revenue	9,177,000	19,367,000	11,737,000	31,281,000
II	Balancing budget expenditure	6,832,509	7,609,676	7,609,676	22,051,861
	<i>Of which, recurrent expenditure</i>	<i>5,252,239</i>	<i>5,409,806</i>	<i>5,409,806</i>	<i>16,071,850</i>
III	Targeted transfers from budgetary central government to SNG	59,533	61,749		121,282

Source: MoF's Letter 7755/BTC-NSNN dated June 28, 2018.

60. The Letter provided primary justification of how those figures were estimated. For example, the balancing budget expenditure was estimated based on projected domestic revenue and ratio of shared income between the budgetary central government and SNG's budget, while target transfer was roughly projected for recurrent transfer only. This estimate aimed to finance all welfare policies issued by the central government after subtracting savings from the reserve for salary increase and the counterpart contribution from the SNG. Targeted capital budget transfer was not included. Information on transfers did not include clear explanations of how changes between the current and the previous year were taken into consideration.

**Based on the analysis and supporting evidence the score for this dimension is C.**

## PILLAR 1: Budget Reliability

In order for the government budget to be useful for policy implementation, it is necessary that it be realistic and implemented as passed.

### PI-1. Aggregate Expenditure Outturn

61. **The PI-1 indicator assesses the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports.** It is a single dimension indicator examining data from 2017, 2018, and 2019. The dimension was calculated using cash-based accounting.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-1: Aggregate expenditure outturn (M1)</b>	D	
PI 1.1 Aggregate expenditure outturn	D	Actual state budget expenditure deviated from the initially approved amount by more than 15% in two of the three years analyzed (-18.1 in 2017; -25.0% in 2018; and -14.7% in 2019)

62. The original budget is the total city budget expenditure in the form approved by the CCT People's Council, excluding repayment of debt principal. The government financial statistics (GFS) definition of the overall fiscal balance includes expenditure carried forward from the previous year, and excludes expenditure carried into the subsequent year. In Vietnam expenditure is appropriated for year n but in part carried forward to and executed in year n+1. It is nonetheless accounted for as part of year n, while expenditure carried forward into year n from year n-1 is accounted for as part of year n-1. The original budget does not include a carry-forward budget. Aggregate expenditure out-turns includes expenditure carried forward from the previous year, and excludes expenditure carried into the subsequent year.
63. The accounting treatment of the carry-over of revenue and expenditure from one year to the next makes it difficult to have a clear comparison between budgets and out-turns. Article 64 of the Law on State Budget 2015, effective from January 2017, has tightened regulations on expenditure allowed to be carried forward into the next year. There are six categories of expenditure that can be carried forward:
- Investment expenditure (as per the Public Investment Law);
  - Expenditure for equipment procurement with contracts signed by December 31 of the budget year;
  - Expenditure for salary policies;
  - Autonomic expenditure assigned to administrative agencies and state agencies;
  - Approved expenditure by relevant authorities after September 30 of the budget year; and
  - Expenditure for scientific research.
64. Actual expenditure as a percentage of budget expenditure is shown in the table below. CCT is one of the better-off provinces that can balance its own budget and contribute to the central government (as explained in Section 1.2 above), accordingly the city has more autonomy with its annual budgets. However, a part of the capital expenditure financed by government bonds and official development assistance (ODA)

allocated by the central government to the SNGs with delays, resulting in actual expenditure outturns lower than the original budget.

- In 2017, the central government allocated capital slowly, such as: ODA (VND 933 billion, allocated at the end of April 2017); government bond capital (VND 500 billion, allocated in September 2017).
- In 2018, foreign capital and government bond capital were disbursed slowly. Total foreign capital and government bonds was VND 2,350 billion, accounting for nearly 39.38 percent of the total investment capital of CCT, but the disbursement rate was only 32.74 percent.
- In 2019, ODA capital, ODA on-lending capital, and other capital sources managed by the city had a slow disbursement rate of 30.37 percent, 52.91 percent, and 57.59 percent respectively.

65. Preparing, submitting, and approving dossiers and procedures for implementation were slow. There were many obstacles in procedures for compensation, support and resettlement, valuation, bidding process, design change, contractor selection, etc.

	Budgeted expenditure	Actual expenditure	% Outturn
2017	9,842,990	8,064,083	81.93%
2018	10,742,803	8,055,949	74.99%
2019	10,499,569	8,959,789	85.33%

Based on the analysis and supporting evidence the score for this dimension is D.

## PI-2. Expenditure Composition Outturn

66. **The PI-2 indicator assesses the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition and use of contingency reserves.** The period of assessment for this indicator is the last three completed FYs, 2017, 2018, and 2019, and the coverage is the sub-national entity being assessed. It contains three dimensions and uses the M1 weakest link (WL) method for scoring.<sup>15</sup>

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-2. Expenditure composition outturn (M1)</b>	D+	
<b>2.1 Expenditure composition outturn by function</b>	D	The calculated composition variance by function was more than 15% in two of the last three years: - Year 2017: 19.15% - Year 2018: 34.02% - Year 2019: 20.55%
<b>2.2 Expenditure composition outturn by economic type</b>	N/A	The budget is not allocated by economic type of expenditure. Therefore, it is not possible to calculate variance in expenditure composition by economic type.

<sup>15</sup> See Annex 1 for an explanation of the scoring of the performance indicators.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>2.3 Expenditure from contingency reserves</b>	A	The contingency provision subsequently allocated to particular programs in year: - 2017: 3.34% - 2018: 1.04% - 2019: 2.55%  i.e. on average less than 3% of expenditure.

## Dimension PI-2.1. Expenditure Composition Outturn by Function

67. Dimension 2.1 measures the difference between the original, approved budget and end-of-year outturn in expenditure composition, by functional classification, excluding contingency items and interest on debt. The expenditure variance by administrative headings is shown in Table 2.1 and the data annex.

Table PI.2.1: Administrative Expenditure Composition Variance by Administrative Headings

2017	19.15 %
2018	34.02%
2019	20.55%

68. The following reasons were reported for the deviations: (i) the actual budget expenditure of some units was lower than the original budget; (ii) the amount of carry-forwards tends to increase over the years; (iii) the deviations of some budget units was large; and (iv) the disbursement rate of investment expenditure was low.

- **Lower actual expenditure of some budgetary units as % of budget**

Budgetary units	2017	2018	2019
ODA Project Management Unit	70.71%	51.89%	67.95%
Construction Investment Project Management Unit	41.65%	25.52%	121.71%
Department of Health	98.47%	65.87%	38.47%
Construction Investment Project Management Unit 2	72.91%	91.43%	75.12%
Department of Agriculture and Rural Development	81.91%	84.29%	55.64%
Department of Education and Training	92.26%	105.86%	69.67%
Department of Natural Resources and Environment	98.63%	72.25%	82.49%

- **Increased amounts carried forwards**

	Budget	Carry forwards	Carry forwards as % of Budget
2017	9.843	1.520	15.4%
2018	10.743	2.451	22.8%
2019	10.500	3.180	30.3%

69. The disbursement rate of investment expenditure of some units was low, for example: City Construction Investment Project Management Unit (36 percent in 2017, 41.68 percent in 2018), City Party Committee Office (44.4 percent in 2017), Department of Health (31.2 percent in 2019), and Construction Investment Project Management Unit used ODA capital (70.4 percent in 2019).

70. The budgetary units' end-of-year expenditure was lower than the originally approved budget making end-of-year expenditure outturn lower than the original budget. Therefore, we cannot separate the causes for



the expenditure outturn deviations and the expenditure composition outturn deviations.

**Based on the analysis and supporting evidence the score for this dimension is D.**

### Dimension PI-2.2. Expenditure Composition Outturn by Economic Type

71. *Dimension 2.2 measures the difference between the original, approved budget and end-of-year outturn in expenditure composition by economic classification during the last three years, including interest on debt but excluding contingency items. No data was available for the expenditure variance by the second level of the GFS (2 digits) economic classification.*

Table PI.2.2: Economic Type Expenditure Composition Variance

2017	N/A
2018	N/A
2019	N/A

72. Most of the budget allocated to agencies is based on a degree of self-autonomy and is not allocated by economic type, in accordance with the legal system CCT follows. It is therefore not possible to calculate a variance in expenditure composition by economic type. (N.B. this inconsistency also affects comparisons in the budget execution reports.)

**Based on the analysis and supporting evidence the score for this dimension is N/A.**

### Dimension PI 2.3. Expenditure from Contingency Reserves

73. *Dimension 2.3 measures the average amount of expenditure charged to a contingency vote. The average over the three years was less than 3 percent of the total budget. The Budget Law requires a reserve of 2 to 4 percent of the total expenditure of each budget level to be used for unforeseen tasks. In terms of accounting, these provisions are recorded in the budget coding according to the tasks decided by competent authorities for certain sectors and organizations.*

Table PI.2.3: Expenditure from Contingency Reserves

Variance	2017	2018	2019
Contingency expenditure share of budget, %	3.34%	1.04%	2.55%

Data source: CCT annual budget execution reports prepared by DoF.

**Based on the analysis and supporting evidence the score for this dimension is A.**

## PI-3. Revenue Outturn

74. **The PI-3 indicator measures the change in revenue estimated in the original budget submitted to the People's Council and end-of-year outturns.** The period of assessment for indicator is the last three completed FYs, 2017, 2018, and 2019 and the coverage is the sub-national entity being assessed. It contains two dimensions and uses the M2 averaging (AV) method for aggregating dimensions' scores.<sup>16</sup>

<sup>16</sup> See Annex 1 for an explanation of the scoring of the performance indicators.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-3. Revenue outturn (M2)</b>	N/A	
<b>3.1 Aggregate revenue outturn</b>	N/A	Administered by the National General Department of Taxation and the National General Department of Customs
<b>3.2 Revenue composition outturn</b>	N/A	Administered by the National General Department of Taxation and the National General Department of Customs

75. According to the Law on State Budget 2015, all taxes are directly managed by the General Department of Taxation and the General Department of Customs, which are affiliated to the MoF, directly managing tax revenue nationwide. These two General Departments have regional and local tax and customs offices to perform the administration of tax revenue for local governments, then the revenue is shared with local governments. Therefore, this indicator is not applicable (N/A).

### Dimension PI-3.1. Aggregate Revenue Outturn

76. *Dimension 3.1 measures the extent to which revenue outturns deviate from the originally approved budget.* All taxes are administered by the National General Department of Taxation and the National General Department of Customs.

**Based on the analysis and supporting evidence the score for this dimension is N/A.**

### Dimension PI-3.2. Revenue Composition Outturn

77. *Dimension 3.2 measures the variance in revenue composition and attempts to capture the accuracy of forecasts of the revenue structure and the ability of the government to collect the amounts of each category of revenue as intended.* All taxes are administered by the National General Department of Taxation and the National General Department of Customs.

**Based on the analysis and supporting evidence the score for this dimension is N/A.**

## PILLAR 2: Transparency of Public Finances

**Transparency of information on public finances is necessary to ensure that activities and operations of governments are taking place within the government fiscal policy framework and are subject to adequate budget management and reporting arrangements. Transparency is an important feature that enables external scrutiny of government policies and programs and their implementation.**

### PI-4. Budget Classification

78. **The PI-4 indicator assesses the classification of the budget and the consistency with international standards during all stages of the budget cycle including formulation, execution and reporting in the last completed year 2019.** It consists of a single dimension.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-4 Budget classification	D	The budget is consistently estimated, implemented, and reported by sector and administrative unit classification. However, the budget estimates are not classified with detailed economic content.

79. Decree No. 31/2017/ND-CP dated March 23, 2017, provides a system of indicators and templates for annual budget estimation, allocation, and final account at the sub-national level, including the provincial level. Accordingly, CCT must report consistently according to a set of prescribed standards.

#### **At formulation and final account stage:**

80. The local government formulates annual budgets based on administrative, functional, and economic classifications as follows:
81. Budget revenues are classified according to their sources (domestic, oil collection, and export-import activities) and category, such as (i) tax revenue (detailed by tax codes); (ii) collection of fees and charges; (iii) non-tax revenue (capital recovery, dividends, profits, profit after tax, difference between revenue and expenditure of the state bank; (iv) revenue from houses and land (land rent, water surface rent, land use levy, rent and sale of state-owned houses, collection of mineral mining rights, and other revenue); and (v) grants from aid.
82. Budget expenditure is categorized by administration and by function. There are 13 functional classifications: national defense and security; social order and safety; education, training, and vocational training; science and technology; health, population, and family; culture and information; broadcasting and news services; sports and athletics; environmental protection; economic affairs; state administration, political organizations, and socio-political organizations; social protection; and other.
83. The economic elements are classified only at the aggregate level such as development investment (including spending on capital construction and other) and recurrent (national reserve, interest payment, and support, loans, supplement financial reserve funds, carry-over resources to the following year, unconditional and conditional fiscal transfers to lower governments).<sup>17</sup> However, these categories are not detailed according to the economic content of each expenditure item. For example, recurrent expenditure has not been disaggregated by wages and salary, goods and services, transfers and subsidies at the budget formulation stage.

<sup>17</sup> Referred to as balancing and targeted transfers, two types of top-down transfers or grants.

**At execution state:**

84. In-year budget reports are issued by the Treasury and consist of budget information by administrative, functional, and economic classifications at the fourth digit level. The Treasury's budget execution reports include information on revenue, expenditure, and financing.

**Based on the analysis and supporting evidence the score for this dimension is D.**

## PI-5. Budget Documentation

**The PI-5 indicator assesses the comprehensiveness and public accessibility of information provided in the annual budget documentation prepared by a government.** It includes a list of four basic and eight additional elements. The time period is the last budget submitted to the legislature (2020) and the coverage is budgetary SNG. It consists of a single dimension.

Using 2019 as the base year, the budget proposal of FY 2020 was prepared and submitted to the City People's Council, covered by Report No. 285/BC-UBND dated November 29, 2019, of the City People's Committee.<sup>18</sup> Budget documentation was presented in accordance with the guidance of Circular 343/2016/TT-BTC. The PI-5 indicator is assessed based on the actual documents submitted by the city's Provincial People's Committee following the templates stipulated in this Circular.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-5. Budget documentation	D	Budget documentation fulfills 5 elements, including 2 basic elements and 3 additional elements out of 12 elements.

85. Below are the information elements in the budget proposal for FY2020 submitted to the City People's Council on November 29, 2019. Budget documentation fulfills five elements, including two basic elements and three additional elements (see Table PI.5.1).

Table PI.5: Budget Documentation

Item	Included (Y/N)	Source of evidence and comments
<b>Basic elements</b>		
1 Forecast of the fiscal deficit or surplus or accrual operating result.	Yes	Forecast of the fiscal deficit or surplus for FY 2020 budget was provided in Appendix I (following Template No. 33/CK-NSNN of Circular 343) as follows: Planned Budget Deficit 2018 of VND 470 billion, Estimated Budget Deficit 2019 of VND 350 billion, and Planned Budget Deficit 2020 of VND 734 billion.
2 Previous year's budget outturn, presented in the same format as the budget proposal.	No	Given 2019 as base year (year for submission of budget document), previous year is 2018. Thus, 2018 actual outturn should be included and compared with 2020 budget plan. However, templates in Circular 343 require presenting only 2019 planned and estimated figures, not 2018's actual outturn.

<sup>18</sup> The City People's Council is the legislative branch, the City People's Committee is the executive branch of the sub-national government.

Item	Included (Y/N)	Source of evidence and comments
3 Current FY's budget presented in the same format as the budget proposal. This can be either the revised budget or the estimated outturn.	Yes	The formats are the same. 2020 budget proposal has a column for planned 2019 and estimated 2019, so it allows comparison between budgeted 2020 and estimated 2019. Only some specific estimates can be left blank in budget proposal, but filled up by certain figures, including carry over, unexpected transfer from central budget beyond planned budget. Those items cannot be planned in advance.
4 Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates.	No	<p>Aggregate Revenue Plan was presented according to the main heads of classification as specified in Template 35 (Circular 343): (A) domestic revenue (consisting of (1) taxes, fees, and charges divided into 12 sub-categories); (2) other state revenue; (3) lottery revenue; (4) revenue from profit and dividend gains; and (5) income from granting natural resource exploitation permits); and (B) Revenue from export and import activities. The Template has been used consistently since 2017.</p> <p>Aggregate Expenditure Plan was presented according to the main classifications specified in Template 36: (A) On-balance subnational expenditure consisting of capital expenditure and recurrent expenditure as the main categories. Each category was disaggregated further into subcategories. For example, capital expenditure was divided into infrastructure projects, support to SOEs in providing public services and local financial extrabudgetary funds, and other capital expenditure. In recurrent expenditure, those for education and training and science and technology sectors were specified; (B) Spending for targeted programs; (C) Carryover to the next year (this line is left blank in the budget plan); and (D) Loan principal payment from the subnational budget.</p> <p>The revenue plan included only data for the current year (2019) and budgeted year (2020), the expenditure plan included only the latter. Data for the previous year (2018) was not presented.</p>
<b>Additional elements</b>		
5 Deficit financing, describing its anticipated composition.	Yes	<p>In Report No. 285/BC-UBND, budget deficit and deficit financing were presented in attached Template 05 (Circular 69/2017/TT-BTC) under the title of Three Year Borrowing and Debt Service Plan. This plan provided the following information:</p> <ul style="list-style-type: none"> <li>A. Debt stock ceiling.</li> <li>B. SNG budget deficit/surplus.</li> <li>C. Deficit financing disaggregated by (i) debt stock at beginning of the year (broken down by sources including local government bonds, on-lending, and other domestic borrowing); (ii) in- year principal payment (broken down by financing sources and payment sources as new borrowing, budget deficit, savings, and carry over from the previous year); (iii) in-year borrowing (broken down by borrowing purposes as deficit financing and principal payment and by financing sources); and (iv) year-end debt stock.</li> <li>D. Interest payment.</li> </ul>

Item	Included (Y/N)	Source of evidence and comments																				
6	No	<p>One set of macro-economic assumptions are made in the first year of the stability period for the whole period. They include GRDP growth rate, inflation (consumer price index) among others, but not interest rates nor exchange rate.</p> <p>Annual assumptions could be mentioned in the City's Socio-Economic Development Plan, but only as a reference, not as a compulsorily attached document in budget submission to the Provincial People's Council.</p> <p>A link between macroeconomic assumptions and budget estimation is unclear.</p>																				
7	Yes	See description of the Three Year Borrowing and Debt Service Plan in Element 5.																				
8	No	Information on financial assets is not included in budget submission documents.																				
9	No	Information on fiscal contingency is available, with a list of indicative year-in risks. Report on use of budget contingency is available after completion of the FY. However, the list of indicative fiscal risks does not cover contingent liabilities such as guarantees or risks embedded in structure financing instruments.																				
10	No	<p>Review of potential new policy initiatives and their budget implications was made when drafting the 2020 budget plan. For example, the new Local Assembly Election is a big event in the mid-year; additional spending of VND 60 billion for the renewal of textbooks for Grade 2 and Grade 6, in accordance with the Ministry of Education and Training's education reform agenda, were already included.</p> <p>However, those explanations may be presented in budget proposals submitted by different agencies to DoF to defend their proposals. They were not included in the budget plans submitted by the City People's Committee to the City People's Council as in Report No. 285 below.</p>																				
11	Yes	<p>In Report No. 285/BC-UBND dated December 29, 2019, prepared by the City People's Committee to report on 2019 budget performance and 2020 budget proposal, Section C presented the City's three year FBP 2020-2022 with the following main targets:</p> <table border="1"> <thead> <tr> <th>(VND billion)</th> <th>2020</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Total revenue collected in the city</td> <td>13,954</td> <td>12,380</td> <td>13,217</td> </tr> <tr> <td>Total subnational budget revenue</td> <td>13,380</td> <td>n/a</td> <td>n/a</td> </tr> <tr> <td>Total subnational expenditure</td> <td>14,114</td> <td>10,002</td> <td>10,695</td> </tr> <tr> <td>Subnational budget deficit</td> <td>734</td> <td>1,131</td> <td>1,711</td> </tr> </tbody> </table>	(VND billion)	2020	2021	2022	Total revenue collected in the city	13,954	12,380	13,217	Total subnational budget revenue	13,380	n/a	n/a	Total subnational expenditure	14,114	10,002	10,695	Subnational budget deficit	734	1,131	1,711
(VND billion)	2020	2021	2022																			
Total revenue collected in the city	13,954	12,380	13,217																			
Total subnational budget revenue	13,380	n/a	n/a																			
Total subnational expenditure	14,114	10,002	10,695																			
Subnational budget deficit	734	1,131	1,711																			

Item	Included (Y/N)	Source of evidence and comments
12 Quantification of tax expenditure.	No	Quantification of tax expenditure by tax exemptions and/or reductions was not made.

Based on the analysis and supporting evidence the score for this dimension is D.

## PI-6. Sub-National Operations Outside Financial Reports

86. **The PI-6 indicator measures the extent to which government revenue and expenditure are reported outside SNG reports in 2019.** It consists of three dimensions and uses the M2 (AV) method for aggregating scores.<sup>19</sup> The SNG operations outside financial reports in CCT include: (i) operation of extrabudgetary funds and (ii) extrabudgetary operation of city-managed PSDUs.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-6. Sub-national operations outside financial reports (M2)</b>	D	
<b>6.1 Expenditure outside financial reports</b>	D	The sum of expenditure from extrabudgetary funds and PSDU retained collection was 23% of total expenditure of SNG budgetary units.
<b>6.2 Revenue outside financial reports</b>	D	The sum of revenue from extrabudgetary funds and PSDU retained collection was 26% of total revenue of SNG budgetary units.
<b>6.3 Financial reports of extrabudgetary units</b>	D	Submission of financial reports of extrabudgetary funds to DoF was made only upon one-off request. The reports lacked most of the information needed on revenue, expenditure, financial and tangible assets, liabilities, guarantees, and long-term obligations.

87. As of June 2019, the city managed 16 extrabudgetary funds as set out below:

- (1) CALDEF Land Development Fund (*Quy phat trien dat*);
- (2) Road Maintenance Fund (*Quy bao tri duong bo*) (this Fund was dismantled in 2020);
- (3) Women's Business Support Fund (*Quy Ho tro Phu nu phat trien kinh te*);
- (4) Natural Disaster Prevention Fund (*Quy phong chong thien tai*);
- (5) Fund for the Poor (*Quy vi nguoi ngheo*);
- (6) Farmer Support Fund (*Quy ho tro nong dan*);
- (7) Gratitude Fund for Recognition of Sacrificing (*Quy den on dap nghia*);
- (8) Poor Patient Support Fund (*Quy bao tro benh nhan ngheo*);
- (9) Small or Medium-sized Enterprise (SME) Guarantee Fund (*Quy bao lanh tin dung cho DNNVV*);\*
- (10) Can Tho City Development Investment Fund (*Quy dau tu phat trien*);\*
- (11) Learning Promotion Fund (*Quy Khuyen hoc*);
- (12) Support Fund for Excellent Sport Performance (*Quy Ho tro the thao thanh tich cao*);
- (13) Relief Fund (*Quy cuu tro*);
- (14) Fund for Victims of Agent Orange (*Quy nan nhan chat doc mau da cam*);

<sup>19</sup> See Annex 1 for an explanation of the scoring of the performance indicators.

(15) Fund for War Prisoners Association (*Quy Hoi nguoi tu khang chien*);

(16) Fund for Voluntary Youth Association (*Quy Hoi thanh nien xung phong*).

(\* = treated as public corporation)

88. The assessment of this indicator (PI-6) only focuses on the largest five extra budgetary funds, who have the largest revenue from budget appropriation and self-collection. The SME Guarantee Fund (No. 09) and the Urban Development Investment Fund (No. 10) are excluded from the list because they operate as public corporations. They received upfront capital investments from the state budget and were obliged to reserve the value and raise their own funds to scale up. These entities are assessed in PI-10.1 (Monitoring of Public Corporations).
89. CALDEF is a typical and important extrabudgetary fund. It was established in July 2012 in accordance with the Prime Minister's Decision 40/2010. It acts as an extrabudgetary financial fund in the management of the city government. Its mandate is to provide advance payment and financial support for greenfield land acquisition and resettlement. Its revenue consists of: (i) upfront capital investment by city budget transfer; (ii) annual transfers of 30-50 percent of city budget revenue from land rent and land auctions (equivalent to VND 30 billion); and (iii) other revenue from donations, grants, and trust fund transfers in accordance with the existing regulations.<sup>20</sup>
90. Another part of sub-national operations outside financial reports are the public service delivery operations, funded by service fees collected and retained by PSDUs. The city government is responsible for 131 PSDUs, of which the City People's Committee is responsible for 12, its sector departments are responsible for 107, and sub-departments are responsible for 12 (see paragraph 46).

## Dimension PI-6.1 Expenditure Outside Financial Reports

91. *Dimension 6.1 assesses the magnitude of expenditure incurred by budgetary and extrabudgetary units (including social security funds) that are not reported in the government's financial reports.* Expenditure outside financial reports includes that of extrabudgetary funds and from self-collected revenue of PSDUs managed by CCT and its line departments. While data on the latter is available in total amount, that on the former is not. Therefore, in this analysis, the five largest extrabudgetary funds and aggregated data on PSDUs' operation outside financial reports are examined. Their expenditure from budget appropriation and self-collected revenue are shown in Table 6.1. As seen in Annex 4 of this report, in 2019, total expenditure of budgetary units of CCT was VND 10,674,838 million. Total expenditure outside financial reports was VND 2,468,946 billion, which consisted of PSDU's extrabudgetary expenditure of VND 2,451,894 million and the five largest extrabudgetary funds of VND 17,052 million. Thus, the share of expenditure outside financial reports was 23 percent of total expenditure of budgetary units of CCT, or more than the threshold of 10 percent to score "C".

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20 Source: City People's Committee's Decision No.; 571/QD-UBND dated March 08, 2013 issuing CALDEF's Charter.



Table PI.6.1: Information on Expenditure of Extrabudgetary Activities in 2019 (Unit: VND million)

Unit	Expenditure		Expenditure as % of total government expenditure
	Expenditure from budget appropriation	Expenditure from self-collected revenue	
I. Total expenditure of budgetary units	10,674,838		
II. TOP 5 extrabudgetary funds with the largest expenditure outside the SNG budget		17,052	
1. CALDEF	62,603	913	
2. Road Maintenance Fund	21,292		
3. Disaster Prevention Fund		11,156	
4. Fund for the Poor		4,927	
5. Farmer Support Fund	2,000	56	
III. Total expenditure outside financial report made by all city-level PSDUs		2,451,894	
<b>TOTAL (II + III)</b>		<b>2,468,946</b>	<b>23%</b>

Data source: DoF

**Based on the analysis and supporting evidence the score for this dimension is D.**

### Dimension PI-6.2 Revenue outside Financial Reports

92. *Dimension 6.2 assesses the magnitude of revenue received by budgetary and extrabudgetary units (including social security funds) that are not reported in the government's financial reports.* Revenue outside financial reports includes that of extrabudgetary funds and from self-collected revenue of PSDUs managed by CCT and its line departments. While data on the latter is available in total amount, that on the former is not. Therefore, in this analysis, the five largest extrabudgetary funds are examined. Their revenue from budget appropriation and self-collected revenue are shown in Table 6.2. In 2019, total revenue of budgetary units of CCT was VND 10,674,838 million. Total expenditure outside financial reports was VND 2,731,881 million, which consisted of PSDU's extrabudgetary expenditure of VND 1,739,856 million and of the five largest extrabudgetary funds of VND 21,115 million. Thus, the share of expenditure outside financial reports was 26 percent of total expenditure of budgetary units of CCT, or more than the threshold of 10 percent to score "C".

Table Pl.6.2: Information on Extrabudgetary Units in 2019

Unit	Revenue (VND million)		Revenue as % of total government revenue
	Budget appropriation	Self-collected revenue	
Total revenue of budgetary units	10,674,838		
TOP 5 extrabudgetary funds with the largest revenue outside the SNG budget	134,696	21,115	
1. CALDEF <sup>1</sup>	97,172	4,464	
2. Road Maintenance Fund	35,524,000		
3. Disaster Prevention Fund		11,918	
4. Fund for the Poor		4,677	
5. Farmer Support Fund	2,000	56	
III. Total expenditure outside financial report made by all city-level PSDUs		2,716,766	
TOTAL (II + III)		2,731,881	26%

Data source: DoF

**Based on the analysis and supporting evidence the score for this dimension is D.**

### Dimension PI-6.3 Financial Reports of Extrabudgetary Units

93. *Dimension 6.3 assesses the extent to which ex-post financial reports of extrabudgetary units are provided to SNG. Not all extrabudgetary funds submitted their annual reports to DoF on an annual basis. Rather, their submissions were made only upon DoF's one-off request. In June 2019, DoF requested all extrabudgetary funds to submit financial information from 2013 to 2018 and prepared a financial oversight report for Can Tho PPC to send to National Assembly's Standing Committee (Report 146/BC-UBND on 21 June 2019). However, no similar oversight activity was done for the funds' financial report of 2019 onward. The financial reports sent by extrabudgetary funds for 2013 – 2018 presented only revenue, expenditure, fund balance and investment but not other information such as financial assets, financial liabilities, guarantees, and long-term obligations. Table 6.3 provides information based on reviewing the five largest extrabudgetary funds.*

Table Pl.6.3. Content of the Financial Reports Produced by the Five Largest Extrabudgetary Funds

Units	Availability of information (yes/no)							Submission to DoF
	Revenue	Expenditure	Financial asset	Tangible asset	Liabilities	Guarantees	Long term obligation	
1. CALDEF	Yes	Yes	No	No	No	No	No	No for 2019
2. Road Maintenance Fund	Yes	Yes	No	No	No	No	No	No for 2019
3. Disaster Prevention Fund	Yes	Yes	No	No	No	No	No	No for 2019
4. Fund for the Poor	Yes	Yes	No	No	No	No	No	No for 2019

Units	Availability of information (yes/no)							Submission to DoF
	Revenue	Expenditure	Financial asset	Tangible asset	Liabilities	Guarantees	Long term obligation	
5. Farmer Support Fund	Yes	Yes	No	No	No	No	No	No for 2019
6. Poor Patient Support Fund	Yes	Yes	No	No	No	No	No	No for 2019
7. Women's Business Support Fund	Yes	Yes	No	No	No	No	No	No for 2019
8. Learning Promotion Fund	Yes	Yes	No	No	No	No	No	No for 2019
9. Gratitude Fund for Recognition of Sacrificing	Yes	Yes	No	No	No	No	No	No for 2019
10. Fund for Victims of Agent Orange	Yes	Yes	No	No	No	No	No	No for 2019

Source: DoF

**Based on the analysis and supporting evidence the score for this dimension is D.**

## PI-7. Transfers to SNGs

94. *The PI-7 indicator assesses the transparency and timeliness of transfers from the assessed SNG to lower-tier SNGs with direct financial relationships to it during 2019. It considers the basis for transfers from the assessed SNG and whether lower-tier SNGs receive information on their allocations in time to facilitate budget planning. It contains two dimensions and uses the M2 (AV) method for aggregating dimension scores.<sup>21</sup>*

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-7. Transfers to SNGs (M2)	C+	
7.1 System for allocating transfers	B	Most (or 75%) transfers to district governments from the city government budget was made by a transparent and rules-based system.
<b>7.2. Timeliness of information on transfers</b>	C	Information on annual transfers to district governments was issued 10 days before the start of the FY 2019, and a week before for FY 2020.

95. **Sub-national government comprises three levels of government.** In the sub-national context, transfers can take place between the provincial (CCT) level and its districts. In the budget decentralization system in Vietnam, the province transfers only to district governments, not to communes. The district level satisfies the SNG definition because district government has the authority to own assets, incur liabilities, and/or engage in transactions in their own right. CCT is a provincial – level administration, which consists of five urban districts (Ninh Kieu, Binh Thuy, Cai Rang, O Mon and Thot Not) and four rural districts (Vinh Thanh, Co Do, Thoi Lai, and Phong Dien). There is a program of transfers from the provincial government to sub-provincial governments.

<sup>21</sup> See Annex 1 for an explanation of the scoring of the performance indicators.

## Dimension PI-7.1 System for Allocating Transfers

96. This dimension assesses the timeliness of reliable information from the SNG of their transfer allocations. Similar to the equalization arrangement between central and provincial government level (see HLG-1), the transfer between CCT and its districts consists of the balancing transfer and the targeted transfer. The balancing transfer is estimated as the difference between aggregate recurrent expenditure and the revenue retained 100 percent at the district level plus the shared revenue between the provincial and district government budget.
97. Based on the Prime Minister's decision on allocation criteria and norms, the City People's Council issue a Resolution for its own allocation criteria and norms, which is used as a legal basis for estimating district expenditure assignments. At the time of this assessment, CCT is in its fiscal stability period 2017-2020, extended to 2021, regulated by Resolution 11/2017/ND-HDND on Delegating Revenue Sources, Expenditure Assignments, and Sharing Ratio between Budgetary Levels and Resolution 06/2016/ND-HDND on Setting Allocation Norms for Recurrent Budget Planning.
98. Resolution 06 defines allocation norms for different services, mainly based on district population, staff quota, and number of agencies (see Table 7.1). Based on those norms, provincial departments and district authorities prepare their budget plans. According to Resolution 11, a district authority is eligible to retain tax revenue collected from household business and enterprises with pledged capital of less than VND 15 billion. Tax collected from medium and large enterprises are centrally collected at provincial level. Consequently, retained revenue at district level is very small and nine out of the nine districts in CCT are net receivers.

Table 7.1: Allocation norms for budget allocation by function and administrative tiers in CCT

No.	Content	Unit	Amount
1	Education		
1.1	City level (by schooling age population from 1-18 years old)	VND/head/year	1,146,211
	Allocation to secondary schools under DOET's management		
a	Lower secondary class in urban district school	VND mil./class/year	15
	Lower secondary class in rural district school	VND mil./class/year	19
b	Upper secondary class in urban district school	VND mil./class/year	24
	Upper secondary class in rural district school	VND mil./class/year	28
c	Special education		
	Education for excellent	VND mil./class/year	32
	Full day class for students in ethnic minorities groups	VND mil./class/year	41
	Education for students with disabilities	VND mil./class/year	37
1.2	Allocation to district level		
	Payroll (based on actual within-quota working staff, salaries and grades)	% of total transfer	82
	Operation cost	% of total transfer	18

No.	Content	Unit	Amount
2	Training budget to district level	VND mil./dis./year	2,500
3	Health (filling the gap between actual costs and hospital fee revenue)		
4	Culture and Information		
	City level	VND per capita/year	23,609
	District level	VND per capita/year	13,186
5	Broadcasting and television (transfer to district)	VND per capita/year	7,038
6	Sports		
	City level	VND per capita/year	44,576
	District level	VND per capita/year	5,472
7	Administration		
7.1.1	Payroll (actual expense based on staff quota, salaries and grades)		
7.1.2	Operation cost	VND million/within-quota staff/year	
	Office of Party Bureau, Provincial People's Committee, People's Council and Father Land Frontline		52
	City agency with staff quota of less than 20 members		48
	City agency with staff quota from 21-40 members		46
	City agency with staff quota of more than 40 members		45
	Sub-city subsidiary		42
	Unit under sub-city subsidiary		40
	District agency		48
	Contracted staff (out of staff quota)		90
8	Transfer to commune and ward		
8.1	Payroll (actual expense based on staff quota, salaries and grades)		
8.2	Operation cost per commune of maximum 6 villages	VND mil./commune/year	900
	Extra transfer for additional village (from the 7 <sup>th</sup> village)	VND mil./extra village/year	30

Source: Resolution 06/2016/ND-HDND dated 09/12/2016 issued by Can Tho City People's Council

99. In the 2019 budget plan, disclosed by Decision 3363/QĐ-UBND dated Dec 20, 2018, the budgeted transfer from the city budget to the district budget was VND 3,288 billion, of which the balancing transfer was VND 3,219 billion and targeted transfer was VND 69 billion. In the 2019 budget execution report, the corresponding figures were VND 4,376 billion, VND 3,220 billion, and VND 1,156 billion respectively (see Table 7.2 for more detail). Since all budgeted transfers were transparent and followed rule-based allocation as explained above, any deviation of actual transfers from budgeted transfers can provide evidence of year-in adjustment.

100. Targeted transfer was subject to more ad hoc in-year adjustment, resulting to delays in implementation of the budget procedures. For example, Binh Thuy District received additional targeted transfers in 2019 following three City People’s Committee in-year decisions: Decision 1111/QĐ-UBND dated May 10, 2019 on additional transfer of VND 55 million to implement talent human resource absorption policy; (ii) Decision 1556/QĐ-UBND dated June 26, 2019 on severance payment of VND 213 million for contract-terminated officers; and (iii) Decision 2387/QĐ-UBND dated October 7, 2019 on financial support of VND 7,739 million for pig-raising farmers suffering from African swine fever.
101. Because this ratio is 75 percent, it can be concluded that most of the horizontal allocation of transfers to district government was determined by transparent and rule-based systems in 2019.

Table 7.1: Transfer from city budget to districts in 2019: Budgeted vs. Actual

Unit: VND million

No.	District	Budgeted			Actual			Budget as % of Actual
		Total	Balancing	Targeted	Total	Balancing	Targeted	
<b>TOTAL</b>		<b>3,288,357</b>	<b>3,219,438</b>	<b>68,919</b>	<b>4,375,800</b>	<b>3,219,438</b>	<b>1,156,362</b>	<b>75%</b>
1	Ninh Kieu	180,888	175,161	5,727	319,545	175,161	144,384	
2	Binh Thuy	244,689	230,340	14,349	411,751	230,340	181,411	
3	Cai Rang	91,171	77,038	14,133	230,209	77,038	153,171	
4	O Mon	453,711	452,655	1,056	514,042	452,655	61,387	
5	Thot Not	395,099	389,587	5,512	539,501	389,587	149,914	
6	Phong Dien	389,902	383,963	5,939	494,832	383,963	110,869	
7	Co Do	480,879	470,104	10,775	575,464	470,104	105,360	
8	Thoi Lai	565,756	560,515	5,241	746,360	560,515	185,845	
9	Vinh Thanh	486,262	480,075	6,187	544,096	480,075	64,021	

Source: DoF

**Based on the analysis and supporting evidence the score for this dimension is B.**

### Dimension PI-7.2 Timeliness of information on transfers

102. This dimension assesses the timeliness of reliable information provided to lower-tier SNGs on their allocations from the SNG being assessed for the coming year. Transfers to district level in 2019 were set out in Decision 3363/QĐ-UBND dated Dec 20, 2018 (10 days before commencement of the budget year). Transfers to district level in 2020 were set out in Decision 3168/QĐ-UBND dated Dec 23, 2019 (one week before commencement of the budget year). Since official information on annual transfers to districts was issued just before the start of the FY 2019, the score for this dimension is “C”.

**Based on the analysis and supporting evidence the score for this dimension is C.**

## PI-8. Performance Information for Service Delivery

103. The PI-8 indicator examines service delivery performance information in the executive's budget proposal or its supporting documentation in year-end reports. It determines whether performance audits or evaluations are carried out. It also assesses the extent to which information on resources received by service delivery units is collected and recorded. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.<sup>22</sup>

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-8. Performance information for service delivery (M2)	D+	
8.1. Performance plans for service delivery	D	Performance plans at line-department level were not disaggregated by specific policy or programs. Information on policy or program objectives and key performance indicators was not published.
8.2. Performance achieved for service delivery	D	Performance reports at line-department level were disaggregated by functions, not by specific policy or programs. They included sector-wide quantity of output produced, but not outcomes achieved.  Departmental performance reports were not published.
<b>8.3. Resources received by service delivery units</b>	C	Annual budget outturn reports of all three sampled sectors presented information on resources received by each frontline PSDU under the supervision of a line department. Information on resources was disaggregated by sources (budget transfer and service charge collection) and by specific spending purposes (salary and non-salary).
<b>8.4. Performance evaluation for service delivery</b>	D	External state auditing is a unique systematic external evaluation arrangement for departmental agencies. Due to a lack of technical guidelines from the City People's Committee to be used as official standards for performance auditing, it has not yet been conducted at all by state audit in Can Tho.

104. Currently, the legislative body of CCT is the City People's Council and its executive body is the City's Provincial People's Committee. The Provincial People's Committee manages various line departments in charge of providing different public services. It also directly manages 131 PSDUs and 16 extrabudgetary funds. The following table describes key public services delivered by the Provincial People's Committee and its direct subordinates.

Table PI.8.1: Key Public Services Provided by Can Tho Provincial People's Committee and Its Direct Subordinates

No.	Name of the agency	Key public services delivered
<b>A</b>	<b>Budgetary unit</b>	
1	City's Provincial People's Committee Office	Prepare work plans for Provincial People's Committee, publish its documents and announcements, act as the focal point for the city's electronic portal and coordinate public administrative information system under the Provincial People's Committee direction, manage the city's Public Gazette, archive documents, and support the daily operation of the Committee.

<sup>22</sup> See Annex 1 for an explanation of the scoring of the performance indicators.

No.	Name of the agency	Key public services delivered
2	Department of Finance	Perform state management function in the field of public finance management, financial operations of extrabudgetary funds, corporate finance, auditing, pricing, and financial services in local areas.
3	Department of Planning and Investment	Perform state management function in the field of economic planning and investment activities, socio-economic policies, public procurement, local business registration, and other policies related to business development.
4	Department of Industry and Trade	Perform state management function in the field of mechanical engineering, metallurgy, electricity, new and renewable energy, oil and gas, chemistry; industrial explosive materials, mining and mineral processing (except for construction materials), manufacturing, food processing industry, food safety, goods circulation in the city, import/export, market surveillance, trade promotion and services, consumer protection, industrial extension, and management of industrial clusters and supporting industries.
5	Department of Transport	Perform state management function in the field of transport infrastructure and operations of different transport modes, traffic safety and surveillance, transport infrastructure maintenance, parking lots, and bus stations.
6	Department of Education	Manage education services at different educational levels including preschool, primary and secondary education, pre-college vocational education, and education quality assurance.
7	Department of Science and Technology	Manage research and technological development, innovations, technical standards and qualifications, property rights protection, and other research and development operations.
8	Department of Labor, Invalids, and Social Affairs	Perform state management function in the field of labor, employment, regulations on wages and salaries, social insurance, work safety, implementation of protection policies for people with meritorious contributions, children, gender equity, and prevention of social bads.
9	Department of External Affairs	Manage the city's external affairs including preparing its international relation strategies and policies, promote international cooperation and visibility of the city worldwide, strengthen the network of overseas Vietnamese, manage international non-governmental organizations in the city, perform consular work and citizen protection, and other authorized services.
10	Department of Home Affairs	Perform state management function in the field of public personnel and organizations, operations of non-governmental organizations, and religious activities.
11	Department of Agriculture and Rural Development	Manage operations in the fields of agriculture, forestry, fishery, and water management, rural development, disaster prevention and relief, safe production of agricultural products, and other related services.
12	Department of Health	Manage preventive and curative care, physical rehabilitation, medical assessment, forensic medicine, forensic psychiatry, traditional medicine; medical equipment, pharmaceutical and cosmetic trade, food safety, health insurance, population - family planning and reproductive health, and operation of other medical services.
13	Department of Culture, Sport, and Tourism	Perform state management function in the fields of culture (preservation of traditional culture, cultural heritages, monitoring of art/music/film activities, protection of authors' rights over cultural products...); family (promotion of community and family cohesion, prevention of domestic violence); sport (promotion of mass and professional sport, surveillance of operation of sport clubs); and tourism (develop tourism strategies and plans, monitor operation of tourist agencies and entities in the hospitality sector, tourism promotion and preservation of the city's attractions).



No.	Name of the agency	Key public services delivered
14	Department of Information and Communication	Manage operations in the fields of press and publication, mass media and broadcasting, postal and telecommunication services, development of information and communication infrastructure, and surveillance of direct and virtual commercial promotion and advertisement activities.
15	Department of Construction	Perform state management function in the fields of construction and architectural designing and planning, development of physical infrastructure in urban areas and industrial parks (including water supply, wastewater management, solid waste management, urban lighting system, public parks and greening, and public and residential housing), production of construction materials, and land development.
16	Department of Natural Resources and Environment	Perform state management function in the fields of land administration, management of water and other natural resources, geological activities, hydrometeorology and environment protection, surveying, measuring and cartography, and responses to climate change.
17	Department of Justice	Perform state management function in the fields of promulgation and implementation of legal documents and regulations, surveillance of legal compliance, legal education, counselling, provision of legal services including notary and public verification, grassroots mediation, and involvement in public asset auctions.
18	Committee of Ethnicity	Formulate policies on ethnicity-related issues and monitor their implementation and protection of the rights of ethnic minority groups.
19	City Inspectorate	Perform the duties and powers of inspection, settlement of complaints and denunciations and anti-corruption practices within the scope of the Provincial People's Committee management.
20	Can Tho Export Processing and Industrial Zones Authority	Monitor infrastructure development in industrial zones in accordance with approved design. One Stop Shop to process administrative procedures in several areas for investors and enterprises in industrial zones: investment licensing; environment; construction; labor; trade; land and property; management of state budget; and others.
<b>B PSDUs</b>		
1	Can Tho Investment and Trade Promotion Center	Partially self-financed PSDU responsible for organizing investment and trade promotion activities, exhibitions and trade fairs, marketing, and public events to introduce goods and services produced by local businesses and other promotion initiatives.
2	Can Tho Broadcasting and Television	Partially self-financed PSDU acting as a communication channel of the city's Provincial People's Committee with the public by disseminating news, information, knowledge sharing, and entertainment programs.
3	City ODA Project Management Units	Established as a recurrent expenditure self-financing PSDU. It is responsible for (1) receiving and managing the use of investment capital for construction; (2) organizing and managing projects assigned by investor owners; and (3) handing over the completed construction work to the investors.
4	Can Tho Socio-Economic Institute	A fully financially dependent PSDU which has been treated as a budgetary unit. It is responsible for conducting research and providing professional advice to the Provincial People's Committee in the fields of development planning and policy, state management of socio-economic affairs, urbanization and economic integration, and other issues at the request of the Provincial People's Committee.
5	Other PSDUs	There are other sector-focused PSDUs under the direct management of the City's Provincial People's Committee including educational institutions (colleges and universities as listed in the Table 8.2 below) provide educational services in specific sectors to specific audiences.

No.	Name of the agency	Key public services delivered
<b>C</b>	<b>Extrabudgetary funds</b>	The list of extrabudgetary funds under the City's Provincial People's Committee supervision. As suggested by the name, their mandates are to serve specific beneficiaries. The revenue and expenditures of those EBUs accounted for less than 1% of revenue and expenditures of the PSDUs' extra-budget operations. Those EBUs are assessed under PI-6.

105. With respect to financial autonomy, according to Decree 16/2015/ND-CP dated February 14, 2015, all PSDUs in Vietnam are categorized into four groups based on decreasing level of financial autonomy: Group 1: Fully financial autonomy (both recurrent and capital spending); Group 2: Fully recurrent expenditure autonomy; Group 3: Partial recurrent expenditure autonomy; and Group 4: Fully dependent on state budget transfer. PSDUs in Group 1 and 2 are no longer to receive annual budget appropriation from the government budget. PSDUs in Group 3 are able to collect self-raised revenue from service charges, but such revenue is not enough to cover their minimum operation cost. In this case, the government budget will cover the gap, given that the PSDU must have a concrete roadmap to move to the higher level of financial autonomy. PSDUs in Group 4 are treated exactly as administrative agencies.
106. There is no Group 1 PSDU in CCT. Within the agriculture, health, and education sectors, there are 14 fully recurrent expenditure self-financing PSDUs (Group 2), 29 partially recurrent expenditure self-financing PSDUs (Group 3), and 29 fully state budget dependent agencies (Group 4). All these PSDUs are treated as budgetary units with extrabudgetary operation. The assessment below is made for a sample of three line-departments and their subordinate PSDUs: Department of Education and Training (DoET), Department of Health (DoH) and Department of Agriculture and Rural Development (DARD). In the time period of this PEFA assessment, the city government was responsible for 131 out of 582 PSDUs of the whole SNG (the district governments are responsible for 451 units). As shown in the table below, a total of 69 PSDUs are under the management of three line-departments, accounting for almost 70 percent of total PSDUs, and they serve the largest population of clients. In terms of expenditure, total expenditure of three sectors accounted for about 52 percent of SNG expenditure in 2019. Assessment of this sample of line-departments can be generalized to the other PSDUs<sup>23</sup>.

Table PI.8.2. List of Public Service Delivery Units of Can Tho City in Agriculture, Health, and Education Sectors (Inventory as of November 13, 2020)

No.	PSDU full name	Total number of agencies	Classified by direct supervision agencies					
			CPC*	DARD*	DOET*	DOH*	DOLISA*	DCST*
	<b>TOTAL</b>	<b>72</b>	<b>8</b>	<b>2</b>	<b>30</b>	<b>29</b>	<b>1</b>	<b>2</b>
<b>I</b>	<b>SELF-FINANCING RECURRENT EXPENDITURE</b>	<b>14</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>0</b>
1	Medical College		1					
2	College of Economics and Techniques		1					
3	Can Tho College		1					
4	Rural Environmental Hygiene & Clean Water Center			1				

23 Decision No. 2981/QĐ-UBND, dated November 14, 2008, of the People's Committee of CCT, on approval of the Program on Restructuring and Improving the Quality and Performance of the Sub-national PSDUs up to 2020.

No.	PSDU full name	Total number of agencies	Classified by direct supervision agencies					
			CPC*	DARD*	DOET*	DOH*	DOLISA*	DCST*
5	Gynecology Hospital					1		
6	Oncology Hospital					1		
7	Hematology and Blood Transfusion Hospital					1		
8	Cardiology Hospital					1		
9	Skin Disease Hospital					1		
10	Otolaryngology (ENT) hospital					1		
11	Ophthalmology - Odonto-Stomatology Hospital					1		
12	Municipal General Hospital					1		
13	Pediatrics Hospital					1		
14	Medical Evaluation Center					1		
II	PARTIALLY SELF-FINANCING RECURRENT EXP.	29	6	1	1	19	1	1
1	University of Technology and Techniques		1					
2	Vocational College		1					
3	College of Arts and Culture		1					
4	School of Political Studies		1					
5	Information and Communications Technology (ICT) - Foreign Language Center				1			
6	Thoi Lai Vocational Secondary School						1	
7	Traditional Medical Hospital					1		
8	Army - People Medical Hospital					1		
9	Disease Control Center					1		
10	Pharmaceutical - Cosmetics - Food Lab Testing Center					1		
11	Tuberculosis & Lung Disease Hospital					1		
12	Mental Hospital					1		
13	Forensics Medicine Center					1		
14	O Mon Urban District General Hospital					1		
15	Thot Not Urban District General Hospital					1		
16	Vinh Thanh Rural District General Hospital					1		
17	Ninh Kieu Urban District Health Center					1		

No.	PSDU full name	Total number of agencies	Classified by direct supervision agencies					
			CPC*	DARD*	DOET*	DOH*	DOLISA*	DCST*
18	Binh Thuy Urban District Health Center					1		
19	Cai Rang Urban District Health Center					1		
20	O Mon Urban District Health Center					1		
21	Thot Not Urban District Health Center					1		
22	Phong Dien Rural District Health Center					1		
23	Co Do Rural District Health Center					1		
24	Vinh Thanh Rural District Health Center					1		
25	Thoi Lai Rural District Health Center					1		
26	Secondary School of Sports and Athletics							1
27	Pedagogical Practice Primary School (Can Tho College)		1					
28	Pedagogical Practice Pre-School Kindergarten (Can Tho College)		1					
29	Can Tho City Agricultural Service Center			1				
<b>III</b>	<b>STATE FINANCING OF RECURRENT EXPENDITURE</b>	<b>29</b>	<b>0</b>	<b>0</b>	<b>28</b>	<b>0</b>	<b>0</b>	<b>1</b>
1	School for Disabled Children					1		
2	Chau Van Liem Upper-Secondary School					1		
3	Nguyen Viet Hong Upper-Secondary School					1		
4	Phan Ngoc Hien Upper-Secondary School					1		
5	An Khanh Upper-Secondary School					1		
6	Bui Huu Nghia Upper-Secondary School					1		
7	Ly Tu Trong Upper-Secondary School for Gifted Students					1		
8	Binh Thuy Upper-Secondary School					1		
9	Luu Huu Phuoc Upper-Secondary School					1		
10	Thoi Long Upper-Secondary School					1		
11	Luong Dinh Cua Upper-Secondary School					1		
12	Ethnic Minority Boarding Secondary School					1		
13	Thoi Lai Upper-Secondary School					1		
14	Truong Xuan Upper - Lower-Secondary School					1		

No.	PSDU full name	Total number of agencies	Classified by direct supervision agencies					
			CPC*	DARD*	DOET*	DOH*	DOLISA*	DCST*
15	Ha Huy Giap Upper-Secondary School				1			
16	Trung An Upper-Secondary School				1			
17	Tran Ngoc Hoang Technical Upper-Secondary School				1			
18	Tan Loc Upper - Lower-Secondary School				1			
19	Thot Not Upper-Secondary School				1			
20	Thuan Hung Upper-Secondary School				1			
21	Thoi Thuan Upper - Lower-Secondary School				1			
22	Thanh An Upper-Secondary School				1			
23	Vinh Thanh Upper-Secondary School				1			
24	Thanh Thang Upper - Lower-Secondary School				1			
25	Nguyen Viet Dung Upper-Secondary School				1			
26	Tran Dai Nghia Upper-Secondary School				1			
27	Giai Xuan Upper-Secondary School				1			
28	Phan Van Tri Upper-Secondary School				1			
29	Secondary School for Gifted Students of Sports and Athletics							1

**\*Note:** CPC = City People's Committee; DARD = Department of Agriculture and Rural Development; DOH = Department of Health; DOET = Department of Education and Training; DCST = Department of Culture, Sports and Tourism; DOLISA = Department of Labor, Invalids, and Social Affairs.

## Dimension PI-8.1 Performance plans for service delivery

107. *Dimension 8.1 assesses the extent to which key performance indicators for the planned outputs and outcomes of programs or services that are financed through the budget are included in the executive's budget proposal or related documentation for 2020, at the function, program, or entity level.*

108. Performance plans at line-department level were not disaggregated by specific policy or programs. They included only sector-wide planned targets, some of which were sector-wide input and output indicators. Thus, those plans did not include policy or program-based performance indicators and did not have strong connections to frontline units' performance plans. Departmental performance plans were not published.

### Evidence

109. The DoET's 2019 performance plan was formulated in the form of Report No. 2109/BC-SGDDT dated August 19, 2019. The report comprised two main chapters: Chapter 1. Performance review of school year 2018-2019 and Chapter 2. Key tasks for school year 2019-2020. The first chapter begins with an assessment of task-

based sector performance (i.e., nine key tasks include (i) reviewing network development of educational institutions; (ii) improving quality of teachers and educational managers; (iii) reforming preschool and basic education programs; (iv) improving quality of language training; (v) accelerating IT application in teaching, learning, and educational management; (vi) further delegating autonomy to educational institutions; (vii) promoting international integration in education; (viii) upgrading school facilities and equipment; and (ix) human resource development with a focus on high-quality human resource). The second part of the first chapter is program-based assessment (five key programs include: (i) institutional improvement and procedure streamlining in education and training; (ii) leadership capacity building for educational managers; (iii) resource mobilization to invest in the education sector; (iv) promotion of educational quality assurance and accreditation; and (v) communication campaign on education and training). The third part focuses on educational-level based assessment (i.e., preschool, primary, secondary education, and regular education). The second chapter has the same nine key tasks and five programs, with new lists of activities. The report is annexed by ten different appendices presenting different outputs of the previous school year.

110. The DoH's 2019 performance plan had a similar structure, Chapter 1 focused on the current year's performance assessment and Chapter 2 on the next year's targets, tasks, and programs. In Chapter 1, the plan reviewed (i) sector management and execution; (ii) preventive care; (iii) population and family planning, maternal, and children health care; (iv) implementation of target program on health and population; (v) grassroots health services; (vi) curative care; and (vii) other issues. In Chapter 2, the plan set out key performance targets and specific activities to do in the next year.
111. The DARD's 2019 performance plan also consisted of two chapters. Chapter 1, performance assessment for the current year, was broken down by different themes: (i) execution and management; (ii) implementation of the restructuring scheme towards making the sector more efficient and value oriented; (iii) production and trade reorganization; (iv) promotion of research and development and application of new technologies in agriculture; (v) improvement of input quality management and food safety and hygiene assurance; (vi) investment in agricultural facilities; (vii) rural clean water and sanitation; (viii) response to climate change and natural disaster resilience; (ix) new rural development; (x) cooperation with other stakeholders; (xi) implementation of approved sector master plan; (xii) public administration reform; and (xiii) acceleration of performance oversight, inspection and investigation, complaints handling, anti-corruption and anti-waste, and promoting efficient use of resources. Chapter 2 sets out objectives, performance targets and proposed lists of activities.
112. In short, all performance plans of selected line departments include some key performance indicators and outputs to be produced, but not outcomes planned. The plans presented list tasks and activities to be implemented in the next year. However, they are not included in the costed programs or functions. The plans are intended only for internal use, not to be made public.

**Based on the analysis and supporting evidence the score for this dimension is D.**

### **Dimension PI-8.2 Performance Achieved for Service Delivery**

113. Dimension 8.2 examines the extent to which performance results for outputs and outcomes are presented either in the executive's budget proposal or in an annual report or other public document for 2019, in a format and at a level (program or unit) that is comparable to the plans previously adopted within the annual or medium-term budget.
114. Performance achieved was presented in the first chapter of the performance plans described in PI-8.1. The chapter provided rich information on the quantity of outputs produced, but not on outcomes. The

information was disaggregated by functions, not by programs. They were also not publicly available.

115. For example, the performance report of the education sector (Report 2109/BC-SGDDT dated 19/8/2019 on sector performance in school year 2018-2019 and performance plan for school year 2019-2020) consisted of 4 sections. Section 1 reviewed activities undertaken and outputs achieved in 9 major tasks: (i) reviewing sector network planning; (ii) improving quality of teachers and education managers; (iii) reforming early childhood and basic education curricula; (iv) improving quality of foreign language training; (v) promoting ICT application in education institutions; (vi) delegating financial autonomy to education PSDUs; (vii) accelerating international cooperation in education; (viii) upgrading education facilities; and (ix) developing high-quality human resource in education sector. In addition, it reviewed achievements in implementing five core actions set by MOET, including (i) institutional improvement and simplification of public administration procedures; (ii) strengthening of leadership capacity; (iii) diversification of revenue resources; (iv) strengthening of quality assurance and accreditation; and (v) acceleration of communication and information dissemination. Section 2 provided statistics on activities performed and outputs achieved by levels of education. The rest of the report was for overall assessment and lessons learnt.
116. The performance report of health sector (Report 4432/BC-SYT dated 17/12/2019 on sector performance in 2019 and 2020 plan) addressed two main themes: sector governance and professional performance. The latter focused on: (i) preventive health (disease models, preventive care activities, communication, HIV/AIDS prevention, food safety, health environment management); (ii) family planning, maternal and child cares; (iii) implementation of health target programs (e.g. prevention and combating with dangerous communicable diseases and prevailing non-communicable diseases; extended vaccination; population and development; food safety; HIV/AIDS prevention; safe blood reservation and prevention of blood-caused diseases; military and civic health care cooperation; and monitoring, checking and evaluation of health communication campaign); (iv) development of grassroots health care network; (v) curative care; and (vi) performing of other tasks.
117. The performance report of agriculture and rural development (Report 3106/BC-SNN&PTNT dated 8/11/2019 on sector performance in 2019 and 2020 action plan) followed the same format as the health report. Apart from sector governance, the report summarized key activities and outputs in 12 themes: (i) implementing sector restructuring scheme toward higher value-added agriculture (disaggregated by sub-sectors including plantation, husbandry, fishery, forestry and seed development); (ii) rearranging production and agricultural business units; (iii) promoting research and development and technology transfer; (iv) improving effectiveness of agriculture input management and food safety assurance; (v) upgrading agriculture infrastructure via effective use of public investment budget; (vi) rural clean water and sanitation; (vii) climate change adaptation and mitigation; (viii) rural development and implementation of the National Target Program on New Rural Development; (ix) strengthening domestic and international cooperation; (x) implementing approved agriculture and rural development master plan; (xi) accelerating public administration reform and improving business environment via ICT application and organization rightsizing; and (xii) strengthening anti-corruption and waste prevention efforts.
118. All these performance reports focused on describing activities and direct outputs from activities undertaken, they did not make clear links between the deliverables and outcomes and funding arrangements to achieve outcomes. Thus, evaluations of the efficiency or effectiveness of service delivery were poorly presented or absent from internal performance reports.

**Based on the analysis and supporting evidence the score for this dimension is D.**

## Dimension PI-8.3 Resources Received by Service Delivery Units

119. *Dimension 8.3 measures the extent to which information is available on the level of resources actually received by service delivery units of at least two large ministries (such as schools and primary health clinics) and the sources of those funds for 2017, 2018, and 2019.*
120. Every year, line-departments are required by DoF to report on exercising autonomy in subordinate PSDUs. In their reports, information on resources actually received by all PSDUs under the line-departments' direct supervision, disaggregated by sources, is available.

### Evidence

121. In the education sector: Report No. 428/BC-SGDDT dated February 19, 2019, provided information on resources actually received by all 28 schools. Information on resources was disaggregated into transfer from state recurrent budget and extrabudgetary revenue (revenue from tuition fees and other services). State budget transfer was further broken down into salary and non-salary budgets.
122. In the health sector: Report No. 450/SYT-KHTC dated February 13, 2020, provided information with a similar level of specificity on resources actually received by all PSDUs including nine PSDUs in Group 2 (fully recurrent self-financed); 20 PSDUs in Group 3 (partially recurrent self-financed), and one PSDU in Group 4 (totally dependent).
123. In the agriculture sector: Report No. 25/BC-SNN&PTNT dated January 06, 2019, provided information on resources actually received by all three PSDUs including (i) Center for Clean Water and Rural Sanitation; (ii) Seed Center for Livestock and Aquacultural Production; and (iii) Agricultural Extension Center. Received resources were also disaggregated by sources (budget and extra budget) and spending purposes (salary and non-salary).
124. The evidence of similar aggregated reports for the other two financial years, however, was not available for assessment.

**Based on the analysis and supporting evidence the score for this dimension is C.**

## Dimension PI-8.4 Performance evaluation for service delivery

125. *Dimension 8.4 considers the extent to which the design of public services and the appropriateness, efficiency, and effectiveness of those services is assessed in a systematic way through program or performance evaluations for 2017, 2018, and 2019.*
126. State audit conducted thematic auditing in selected years. They currently focus much more on financial compliance auditing instead of performance auditing. Due to a lack of key performance indicator systems in all sectors, state audit does not have any legal back-up and/or technical guidance to be used in performance auditing. Thus, at the departmental level, the appropriateness, efficiency, and effectiveness of delivered services is not assessed in a systematic way.

**Based on the analysis and supporting evidence the score for this dimension is D.**



## PI-9. Public Access to Fiscal Information

127. **The PI-9 indicator assesses the comprehensiveness of fiscal information available to the public in 2019 based on specified elements of information to which public access is considered critical.** It consists of a single dimension. Public access to fiscal information was discussed with DoF representatives. Evidence for this PI has been partially collected. The analysis is based on the information available.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-9. Public access to fiscal information</b>	<b>D</b>	
<b>9.1 Public access to fiscal information</b>	D	The government made only one basic element available to the public.

### Dimension PI-9.1 Public Access to Fiscal Information

128. *Dimension 9.1 assesses the comprehensiveness of fiscal information available to the public based on specified elements of information to which public access is considered critical.* Five elements are categorized as basic information requirements. A further four are considered additional. This information should be available without restriction, provided within a reasonable timeframe without a requirement to register, and free of charge, unless otherwise justified in relation to specific country circumstances.

129. Publication of fiscal information is stipulated in Article 15 of the State Budget Law 2015, which came to effect in 2017. The Law includes:

- The documents to be made public, these include: (i) the annual budget proposal submitted to the City People's Council; (ii) the enacted budget; (iii) in-year and annual budget execution reports; and (iv) annual budget outturn reports.
- The elements to be published, publicly available fiscal documents should include both data and narrative reports.
- The means of publishing these documents: (i) disseminating documents in plenary meeting sessions; (ii) posting information in the offices; (iii) issuing publications; (iv) sending written feedback letters to concerned parties; (v) uploading them to publicly accessed websites, portals, and other digitalized vehicles; and (vi) providing information via mass media.
- Publication timelines:
  - o Annual budget proposal to be published no later than five working days after it is sent to City People's Council members.
  - o Enacted budget and annual budget outturn report to be published no later than 30 days after it is approved for dissemination.
  - o Quarterly and biannual budget execution reports to be published no later than 15 days from the end of the quarter or six months.
  - o Annual budget execution report to be published when it is submitted by the City People's Committee to the City People's Council in the mid-year Council meeting session in the next year.

Table PI.9.1: Public Access to Fiscal Information, FY 2019

Element/ Requirements	Evidence used/ Comments	Met (Y/N)
<b>Basic Information</b>		
Annual executive budget proposal documentation	<p>The CCT People's Committee submitted the report on 2019 budget execution and 2020 budget proposal to the City People's Council by Letter No. 285/BC-UBND dated November 29, 2019.</p> <p>The City People's Committee submitted budget proposal documentation to the City Council in time for the Council's periodical meeting session. Within three to five days from receipt of the budget proposal documentation, the Office of the City People's Council posted all documentation in the Provincial People's Council Portal (<a href="http://www.dbnd.cantho.gov.vn">www.dbnd.cantho.gov.vn</a>) including budget proposal report and submission request, including the draft Council Resolution, for public access. However, when the meeting session ended, all drafted documents were removed. Only official resolutions remained on the website. Thus, it is now impossible to see the executive budget proposal documentation for FY 2019.</p> <p>The DoF published its 2020 executive budget proposal documentation on its website <a href="http://cantho.gov.vn/wps/portal/sotc/">http://cantho.gov.vn/wps/portal/sotc/</a> on December 13, 2019. This disclosure date means publication of the 2020 executive budget proposal documentation was about two weeks from submission date, which does not meet the timeline specified in the State Budget Law 2015, nor PEFA requirements.</p>	N
Enacted Budget	<p>The enacted budget for FY 2020 was decided by the City People's Council Resolution No. 36/NQ-HDND dated December 06, 2019. The enacted budget 2020 was posted on the DoF website <a href="http://cantho.gov.vn/wps/portal/sotc/">http://cantho.gov.vn/wps/portal/sotc/</a> on January 13, 2020, or more than 1 month after the approval date. Regarding timeliness, the city complied with the State Budget Law 2015 but not PEFA requirements (to be published within two weeks from the date of enactment).</p>	N
In-year budget execution reports	<ul style="list-style-type: none"> <li>- The budget execution report of the first quarter 2019 was published on May 18, 2019, or 48 days after the end of the quarter.</li> <li>- That of the second quarter was on July 29, or 29 days after the end of the quarter.</li> <li>- That of the third quarter was on October 21, or 21 days after the end of the quarter.</li> <li>- Information for the disclosure of the last quarter report was not available on the website.</li> </ul> <p>The average time for disclosure of quarterly budget execution reports in 2019 (for the three quarters that information was available) was 32 days. None of the city's in-year budget execution reports complied with the disclosure timeframe stipulated in the State Budget Law (within 15 days). While two quarters satisfied PEFA requirements (within one month from the date of issuance), the date of disclosure exceeds the timeframe on average. It is noted that due to the lack of dates of issuance, the end of each quarter was used to measure the time as stipulated in the report. If the dates of reporting can be provided, this PEFA requirement might be met.</p>	N
Annual budget execution report	<p>The annual budget execution report was not made publicly available as a separate document. Rather, it was presented as a section on estimated budget performance of the current year in the report on budget proposal for the FY. For example, 2019's estimated budget performance was included in the Provincial People's Committee's Report No. 285 on the 2020 budget proposal submitted to the City People's Council. Attached to the report are two appendices presenting 2019's estimated revenue (Appendix 1) and estimated expenditure (Appendix 2). The report was published on December 13, 2019, or prior to the end of the FY (<a href="http://cantho.gov.vn">cantho.gov.vn</a>)</p>	Y

Element/ Requirements	Evidence used/ Comments	Met (Y/N)
Audited annual financial report, incorporating or accompanied by the external auditor's report.	Not available	N
<b>Additional elements</b>		
Pre-budget statement.	As regulated by State Budget Law 2015, by May 15 every year, the Prime Minister issues a Directive on Socio-Economic Development Planning and Annual Budgeting for the next year to be sent to all provinces, ministries, and central agencies. By June 10 every year, MoF and MPI issue guiding Circulars to guide ministries and provinces in preparing socio-economic development plan and state budget plan based on approved budget norms for recurrent expenditure in the budget stability period. There is a similar process at sub-national level. MoF's guiding circular was customized by DoF to create city budgeting guidelines for all departments and districts. However, the guideline was only circulated internally within the public sector, not open to public access.	N
Other external audit reports.	Not disclosed.	N
Summary of the budget proposal.	The summary was recommended by the Law but is not mandatory. It has not yet been prepared by CCT.	N

Based on the analysis and supporting evidence the score for this dimension is **D**.

## PI-9B. Public Consultation

130. **The PI-9B indicator assesses the extent to which the SNG conducts public consultation in preparing the budget, designing service delivery programs, and planning investments.** It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores and covers budgetary and extrabudgetary units of the SNG.<sup>24</sup>

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-9B. Public consultation (M2)</b>	<b>D</b>	
<b>9B.1 Public consultation in budget preparation</b>	D	Given time pressure on budget plan drafting to submit to the City People's Council, public consultation in budget preparation for 2020 was not conducted in 2019. Only members of standing committees of key decision-making bodies in the city previewed budget proposals.
<b>9B.2 Public consultation in the design of service delivery programs</b>	D	In 2019, DoET conducted a public consultation on the proposed tuition fee scheme, and DoF on proposed allowances for commune Vietnam Fatherland Front (VFF). However, those feedback mechanisms were held for initiatives rather than for comprehensive service delivery programs.
<b>9B.3 Public consultation in investment planning</b>	D	Public consultation is not required in the stage of project preparation. Only when an investment decision is made, the consultation is made for some large-scale projects and projects involved sensitive issues (environment, resettlement, land acquisition...). The content for public consultation does not cover key results of economic analysis of projects.

<sup>24</sup> See Annex 1 for an explanation of the scoring of the performance indicators.

## Dimension PI-9B.1 Public Consultation in Budget Preparation

131. *This dimension assesses the extent to which public consultation has been conducted in preparing the budget proposal and covers the last budget submitted to the sub-national council.* The short time between the drafting of the budget proposal and its submission to the City People's Council does not allow enough time for the City People's Committee to conduct public consultation on the draft plan. The common practice is instead to send the draft plan to the Standing Committees of both the City Politburo and the City People's Council (top supervision agencies in the city) for review prior to official submission to the City People's Council.
132. Following its review by the Economic and Budgetary Commission of the City People's Council, the draft budget plan and review report is sent back to the City People's Committee for any revision and to prepare for justifications at the Council's hearing sessions. This process cannot be considered to include public consultation.

**Based on the analysis and supporting evidence the score for this dimension is D.**

## Dimension PI-9B.2 Public Consultation in the Design of Service Delivery Programs

133. *This dimension assesses the extent to which the design of service delivery programs has benefited from public consultation to meet citizens' needs and wants. It covers the last three completed FYs: 2017, 2018, and 2019.*
134. Article 6, Item 3 of the Law on Promulgation of Legal Documents stipulates that relevant agencies, organizations, and individuals should be encouraged to provide their comments/opinions on draft legal documents. The VFF (an umbrella mass organization) is responsible for conducting social consultations on draft normative documents and policies; especially to collect citizens' opinions on matters directly affecting their rights and interests. It should be noted that according to international convention, VFF is not an independent civil society, but a political-social body aligned with the GoV. In this view, consultation via VFF is considered public consultation with biases.
135. Complying with the Law, the common practice in CCT is that VFF organize a public consultation session, inviting representatives of relevant groups and/or communities to attend and provide their comments. Such comments are noted in a report by the relevant agencies. In 2019, the City conducted public consultations on two policies: a new tuition fee scheme and grants for commune-level VFF and VFF Working Groups in residential areas. Consultation on the proposed tuition fee scheme was undertaken by making it available on the city portal from April 22 to May 22, 2019, with a request for feedback. VFF and other government agencies were asked to send written comments via email to the DoET. Public feedback was summarized and DoET responses to the feedback were made. However, the summary notes of the feedback and explanation of what consideration the feedback received was not published.
136. The public was similarly consulted about the grants for VFF initiative, which is also public consultation with biases. The deadline for sending feedback was May 11, 2019 (as requested in DoF's Letter 1109/STC-QLNS). By May 24, 2019, DoF made a summary report of all inputs and its reaction to the inputs (Report 1390/BC-STC). This report was only for internal use within the government.
137. The public consultation mechanism, however, has not yet been organized to receive comments from public to any service delivery program in terms of quantity and quality of services, timeliness, accessibility, tariffs, localization, or delivery methods. Public consultation is only conducted indirectly for impact assessment purposes when People's Council issues new regulatory guidance, in accordance with the Law.

**Based on the analysis and supporting evidence the score for this dimension is D.**

### Dimension PI-9B.3 Public Consultation in Investment Planning

138. *This dimension assesses the extent to which public consultation has been conducted for the major investment projects managed and decided by the SNG. It covers the last completed FY, 2019. Public consultation in investment planning is not required by the Public Investment Law of 2019. Only major public investment projects, which involve large resettlement effort, are subject to be consulted with affected households.*
139. The Public Investment Law 2019 addresses only community supervision over project implementation. According to Article 74.2, project owners should consult, communicate, and collect feedback from the residential community for any public investment project with at least one of the following features: (i) nationally important project or large scale project; (ii) project with a large resettlement component; (iii) project with great environmental risks; and (iv) project having significant socio-economic impact on the community livelihood.
140. Public monitoring over public investment projects focuses only on: (i) their compliance with existing regulations and legal documents; (ii) implementation of resettlement plans; (iii) utilization of resources from public contribution; (iv) project implementation progress; (v) compliance with regulations on transparency and publicity; (vi) exploration of wrongdoings that adversely affect government and community interests.
141. In short, there is little room for public consultation at the stage of investment planning for most large public investment projects as stipulated by the Law. Public consultation is not required by the Law to be conducted before People's Council issue resolutions on 5-year medium term public investment plan or annual public investment plan, but only when significant land acquisition is required for a project, with affected households. For large scale projects, public consultation in investment planning, if any, is only for issues directly impacting community livelihood, such as resettlement or compensation matters. Economic analysis of project proposals is not subject to consultation. Another shortcoming of the dual budgeting system in Vietnam in public consultation is the disconnection between capital and recurrent budgeting. Thus, even if the public was consulted for investment planning for major investment projects, this concentrated only on the impact of the investment on their livelihood. Recurrent cost implications when the project was operationalized were masked.

**Based on the analysis and supporting evidence the score for this dimension is D.**

## PILLAR 3: Management of Assets and Liabilities

**Pillar Three measures the effectiveness of the government’s management of assets and liabilities and the extent to which this ensures that public investments provide value for money, assets are recorded, and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored.**

### PI-10. Fiscal Risk Reporting

142. **The PI-10 indicator measures the extent to which fiscal risks to the SNG are reported.** Fiscal risks can arise from adverse macro-economic situations, financial positions of SNGs, public corporations, and contingent liabilities from SNG’s own programs and activities, including PPPs. The assessment of this indicator is based on information available for the most recent FY. For Dimension 10.1, it covers the SNG-controlled public corporations. For Dimension 10.2, it should be the SNG entities that have direct fiscal relations with the SNG. For Dimension 10.3, the explicit contingent liabilities arising from the financing of public investment projects are assessed.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-10: Fiscal risk reporting (M2)	D+	
10.1. Monitoring of public corporations	C	The financial statements of all SOEs are audited but not all of them are published. The DoF consolidates SOEs’ financial statements and submits to the MoF. The consolidated report is not published.
<b>10.2. Monitoring of SNGs</b>	C	Districts prepare budget executed reports on an annual basis but only less than half of them are audited. All budget executed reports, both audited and unaudited, are submitted to the People’s Council of the same level for review and approval. They are disclosed after the People’s Council approves the reports, usually in November of the following year.
<b>10.3. Contingent liabilities and other fiscal risks</b>	D	The CCT does not record any contingent liabilities in the budget nor any other reports. The city uses the contingency fund to finance the losses caused by such events.

#### Dimension PI-10.1 Monitoring of Public Corporations

143. *This dimension assesses the extent to which information on financial performance and associated fiscal risks of SNG’s public corporations is available through audited annual financial statements.* There are eight SOEs under the management of the CCT. Of which, five are fully owned by CCT, two have above 50 percent state ownership, and one has less than 50 percent state ownership. The SOEs prepare financial statements annually and these are audited by an independent auditing firm. SOEs submit the audited financial statements to the DoF for review and compilation within three months from the end of the FY. The overall SOE financial report for FY 2019 was submitted to the MoF in July 2020. The overall SOE financial report presents information on revenue, expenditure, assets, and liabilities of individual SOEs. It also provides analysis such as quick ratio, liquidity ratio, and capital adequacy ratio of the companies. However, the overall SOE financial report is not published.

144. All SOEs submit their audited financial reports within nine months from the end of the FY. Their financial reports are audited by an independent firm. These reports are not published.

Table PI.10.1: Financial Reports of Public Corporations

Ten largest People's Councils	Expenditure (VND mil)	Government-held assets (VND mil)	% of total exp.	Date of audit of the financial report	Date of submitting financial report to govt.	Consolidated report (Y/N)
Lottery one-member liability company	3,179,758	1,166,045	25%	3/10/2020	3/20/2020	Y
Red flag agriculture one-limited liability company	107,106	165,167	4%	01/04/2020	3/30/2020	Y
Song Hau farm	51,766	93,385	2%	02/17/2020	3/25/2020	Y
Can Tho Investment and development fund	129,085	1,942,820	42%	3/5/2020	7/24/2020	Y
Credit guarantee to SMEs fund	5,886	106,140	2%	02/14/2020	9/14/2020	Y
Can Tho water supply and sewage company	241,654	869,587	19%	3/10/2020	3/20/2020	Y
Can Tho urban company	65,946	65,265	1%	01/04/2020	3/30/2020	Y
Can Tho second water supply company	78,408	198,989	4%	02/17/2020	3/25/2020	Y
<b>TOTAL</b>	<b>3,859,609</b>	<b>4,607,398</b>				

Data source: Report 2019/STC-TCDN, DoF

**Based on the analysis and supporting evidence the score for this dimension is C.**

### Dimension PI-10.2 Monitoring of SNGs

145. This dimension assesses the extent to which information on financial performance, including the HLG's potential exposure to fiscal risks, is available through the audited annual financial statements of the lower tiers of the SNG. CCT has nine districts in its jurisdiction and all these districts prepare annual budget execution reports. In 2019, four out of nine districts were audited by the SAV. For 2019, the SAV completed the audit of the district budget executed reports in September 2020. The audited reports are submitted to the district People's Council for review and approval and then submitted to the DoF for consolidation into the provincial budget execution report. Once the District People's Council approves the budget executed reports, they are disclosed by the Districts. Since all Districts published their budgetary reports, both audited and unaudited, within nine months from FY end, the performance scores "C" for this dimension.

Table 10.2: Financial Reports of SNGs

Ten largest lower tier of SNGs	Expenditure (billion VND)	Expenditure (% total)	Date of audit of the financial report	Date of submitting financial report to govt.	Date of disclosing the financial report	Consolidated report (Y/N)
1. Ninh Kieu	991.8	15%	08/04/2020	04/10/2020	08/27/2020	Y
2. Binh Thuy	685.0	10%		04/14/2020	08/14/2020	Y
3. Cai Rang	685.7	10%		04/10/2020	08/17/2020	Y

Ten largest lower tier of SNGs	Expenditure (billion VND)	Expenditure (% total)	Date of audit of the financial report	Date of submitting financial report to govt.	Date of disclosing the financial report	Consolidated report (Y/N)
4. O Mon	669.3	10%		04/07/2020	08/10/2020	Y
5. Thot Not	741.6	11%	11/08/2020	04/10/2020	07/27/2020	Y
6. Phong Dien	660.8	10%	11/17/2020	04/09/2020	09/28/2020	Y
7. Co Do	661.2	10%		04/10/2020	08/19/2020	Y
8. Thoi Lai	922.2	14%	08/2020	03/2020	08/2020	Y
9. Vinh Thanh	724.5	11%		04/10/2020	08/07/2020	Y

Data source: DoF

**Based on the analysis and supporting evidence the score for this dimension is C.**

### Dimension PI-10.3 Contingent Liabilities and Other Fiscal Risks

146. This dimension assesses the monitoring and reporting of contingent liabilities for which the SNG is responsible, including those of its extrabudgetary units. The CCT faces different fiscal risks through adverse events such as climate disaster risks and pandemic. There is no systematic integration of these risks in the budget documents. The province does not proactively manage and mitigate risks, but rather it is done after an event is triggered. The State Budget Law stipulates that the province can draw from the contingency fund, which is set at 2-4 percent of the total expenditure to spend on emergency events. In case the contingency fund is not sufficient, the province can use money from the budget surplus or its financial reserve fund. If all of these financial sources are still not enough, the province can request additional transfer from the central government budget.

147. In 2019, the African swine fever virus caused a huge impact in the agriculture sector resulting in income losses of many people. The CCT allocated 1 percent of its total expenditure from the contingency fund to combat the outbreak. In addition, CCT also used VND 100 billion from the SME credit fund to guarantee loans for SMEs.

148. CCT does not have any PPP projects yet and has therefore not taken into consideration any fiscal risks arisen from PPP projects. The city does not provide guarantees to SOEs nor PSDUs. However, SOEs and some PSDUs have debts, which constitute a source of contingent liability for the city even though the city is not responsible to pay these debts in case they are defaulted. The debts of SOEs and PSDUs are reported in their financial reports and submitted to the DoF for monitoring. However, they are not consolidated in the financial report nor the report on the debt plan and payment of the city.

Table PI.10.3: Contingent Liabilities and Fiscal Risk, FY 2019

Coverage	Data quantified (Y/N)			Included in fiscal report (Y/N)	Date produced	Consolidated report (Y/N)
	Loan guarantees (CG)	State insurance scheme	PPPs			
Budgetary Units	N/A	N/A	N/A	No		N
Extrabudgetary Units		N/A	N/A	No		

Data source: DoF



**Based on the analysis and supporting evidence the score for this dimension is D as CCT does not quantify or qualitatively record any contingent liabilities in the budget documents or financial reports**

## PI-11. Public Investment Management

149. **The PI-11 indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects by the government.** It also assesses the extent to which the government publishes information on the progress of the projects, with an emphasis on the largest and most significant projects. It contains four dimensions. The time period assessed is the last completed FY.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-11 Public investment management (M2)</b>	<b>D+</b>	
<b>11.1 Economic analysis of investment proposals</b>	D	Project proposals include information on total cost, rationale, and social and economic benefit. However, the proposals do not provide clear cost benefit analysis (what is provided is mostly quantitative and not conducted based on established methodology). The result of the project appraisal is not published.
<b>11.2 Investment project selection</b>	D	The projects are prioritized in the medium-term investment plan by the DPI based on the clear criteria in the Public Investment Law and City Resolution. Projects are selected annually based on the revenue forecast and feasibility of implementation and the impact of the projects. The criteria for the project selection in the annual investment program is not clearly defined nor published.
<b>11.3 Investment project costing</b>	D	Total capital cost of the project is included in the medium-term investment plan and the annual investment plan. However, estimates of the recurrent cost are not systematically included in the budget document.
<b>11.4 Investment project monitoring</b>	C	The project implementing agencies prepare a monthly report and submit to the DPI for review and consolidation. The DPI produces a consolidated report on public investment management of the whole city to the MPI every six months. The implementation report of major projects is not published.

### Dimension PI-11.1 Economic Analysis of Investment Proposals

150. *This dimension assesses the extent to which robust appraisal methods, based on economic analysis are used to conduct feasibility or prefeasibility studies for major investment projects.* Public investment projects are classified in four groups: categories A, B, C, and national important projects, depending on the sector and size of the project. National important projects are implemented by the national government. In CCT, there are projects in category A, the rest are in categories B and C. A sample of 10 largest projects in category A and B were selected for the purpose of assessing this PI.

151. The CCT follows the Public Investment Law to appraise and select public investment projects. The responsible entities (project owner) prepare the investment proposal. These are then submitted to the appraisal committee for review. The appraisal committee is chaired by the vice chair of the People's Committee and is comprised of relevant departments. These departments include the technical department relevant to the projects (e.g., Transport, Agriculture), the DPI, the DoF, the Department of Natural Resources and Environment (DoNRE). A project proposal presents the total investment cost, the rationale for the investment and its alignment with the master plan, and the social and economic benefit of the projects. However, the cost and benefit analysis is not conducted based on established methodology. This is partly because there is no clear guidance from the central government on project appraisal. After the proposal is appraised by the committee, the project owner prepares the feasibility study, which has a much more detailed analysis

of the project but still do not have cost-benefit analysis, cost-effective analysis, and information used are normally outdated for decision making. The result of the project appraisal is returned to the project owner according to the requirement in the Construction Law, but it is not published.

Table PI.11.1: Economic Analysis and Project Selection of the Ten Largest Investment Projects  
Approved in FY 2017 - 2019

Investment project	Total investment cost of project (VND mil)	% CCT 2019 budget expenditures	Data for PI-11.1 Economic analyses				Data for PI-11.2 Project selection	
			Completed (Y/N)?	Consistent with national guidelines (Y/N)	Published (Y/N)	Reviewing entity*	Prioritized by central entity (Y/N)	Consistent with standard selection criteria
Vam Xang bridge	450,000	4%	N	N/A	N	DPI/PPC	Y	N/A
Provincial road 922	1,494,616	12%	N	N/A	N	DPI/PPC	Y	N/A
Can Tho National traditional medicine hospital	149,784	1%	N	N/A	N	DPI/PPC	N	N/A
Chau Van Liem High school	106,848	1%	N	N/A	N	DPI/PPC	N	N/A
Rural clean water supply to prevent salinization and climate change	120,910	1%	N	N/A	N	DPI/PPC	Y	N/A
Can Tho river embankment	810,742	7%	N	N/A	N	DPI/PPC	Y	N/A
Scale up Can Tho urban project	7,843,195	64%	N	N/A	N	DPI/PPC	N	N/A
Can Tho Tumor hospital project	1,727,941	14%	N	N/A	N	DPI/PPC	Y	N/A
Hynh Phan Ho road extension	139,610	1%	N	N/A	N	DPI/PPC	Y	N/A
Thanh Dong canal Mu U connecting road	104,999	1%	N	N/A	N	DPI/PPC	Y	N/A
CCT 2019 annual budget expenditure	12,217,613							

Data source: DPI, CCT

**Based on the analysis and supporting evidence the score for this dimension is D**

### Dimension PI-11.2 Investment Project Selection

152. This dimension assesses the extent to which the project-selection process prioritizes investment projects against clearly defined criteria to ensure that selected projects are aligned with SNG priorities. Following the approval of the project proposals as described in PI-11.1, the projects are included in the MTIP. The MTIP is prepared at the beginning of every five years. The criteria for project selection in the MTIP are stipulated in the Public

Investment Law and Decree which is available on the website. In addition, CCT issued Resolution 09/2015/HDND stipulating the criteria for budget allocation within the city. This prioritizes ongoing projects, with the remaining fund to be allocated to new projects. All projects included in the MTIP will be allocated budget for implementation during the five year period. However, every year, the DPI prioritize and select projects in the MTIP to be included in the annual budget plan based on the estimated revenue collection in that year. After the project is approved in the MTIP, the project owner needs to prepare the feasibility studies for the project. This process often takes time and therefore many projects are not prioritized in the annual budget of the following year. There are no clear criteria on the selection of projects in the annual investment plan. The DPI and project owners discuss project implementing capacity as a basis for project selection in the annual budget. If the project cannot fully disburse allocated funds, the budget can be reallocated to another project if it is with the same project owner. Budget reallocation to another project owner requires approval from the People’s Council. Since the People’s Council meets only twice a year, the budget cannot be allocated instantly to another project. In Can Tho, most projects are disbursed as planned, except for ODA projects which experience slow disbursement due to land clearance and resettlement.

**Based on the analysis and supporting evidence the score for this dimension is D.**

### Dimension PI-11.3 Investment Project Costing

153. *This dimension evaluates whether the budget documentation includes medium-term projections of investment projects on a full-cost basis and whether the budget process for capital and recurrent spending is fully integrated.* Vietnam follows the dual budgeting system at both central and local levels of government. This means that capital expenditure is allocated by the DPI while the recurrent budget is allocated by the DoF. Even though the future recurrent cost is considered in the project proposal, it is not yet included in the recurrent budget. Once the project is completed, the asset is handed over to the agency responsible for day-to-day operations. The recurrent budget for operation and maintenance is allocated separately to the agency in charge as part of the annual budget.

154. The medium-term expenditure framework aims to address this issue by integrating capital and recurrent budgets in one budget document. However, they are currently not linked to each other. The three year FBP medium-term expenditure framework only presents the capital budget in lump sum without disaggregating into individual projects.

Table PI.11.2: Investment Project Costing and Monitoring of Ten Largest Investment Projects in FY 2018

Investment project	Data for PI-11.3 Investment project costing			Data for PI-11.4 Investment project monitoring				
	Life cycle cost in budget documents (Y/N)	Capital cost break-down in budget documents (Annual/Three-year)	Recurrent costs included in budget documents (Annual/Three-year)	Monitoring of total cost (Y/N)	Physical progress monitoring (Y/N)	Standard rules and procedures exist (Y/N)	High level of compliance with procedures (Y/N)	Information on total cost and physical progress published annually (Y/N)
Vam Xang bridge	N	N	N	Y	Y	Y	Y	N
Provincial road 922	N	N	N	Y	Y	Y	Y	N

Investment project	Data for PI-11.3 Investment project costing			Data for PI-11.4 Investment project monitoring				
	Life cycle cost in budget documents (Y/N)	Capital cost break-down in budget documents (Annual/Three-year)	Recurrent costs included in budget documents (Annual/Three-year)	Monitoring of total cost (Y/N)	Physical progress monitoring (Y/N)	Standard rules and procedures exist (Y/N)	High level of compliance with procedures (Y/N)	Information on total cost and physical progress published annually (Y/N)
Can Tho National traditional medicine hospital	N	N	N	Y	Y	Y	Y	N
Chau Van Liem High school	N	N	N	Y	Y	Y	Y	N
Rural clean water supply to prevent salinization and climate change	N	N	N	Y	Y	Y	Y	N
Can Tho river embankment	N	N	N	Y	Y	Y	Y	N
Scale up Can Tho urban project	N	N	N	Y	Y	Y	Y	N
Can Tho Tumor hospital project	N	N	N	Y	Y	Y	Y	N
Hynh Phan Ho road extension	N	N	N	Y	Y	Y	Y	N
Thanh Dong canal Mu U connecting road	N	N	N	Y	Y	Y	Y	N

Data source: DPI.

**Based on the analysis and supporting evidence the score for this dimension is D.**

### Dimension PI-11.4 Investment Project Monitoring

155. This dimension assesses the extent to which prudent project monitoring and reporting arrangements are in place to ensure value for money and fiduciary integrity. The implementing agency has to report semi-annually on the physical progress and financial disbursement of the projects under their responsibility. The reporting template is specified in Government Decree 84 on Monitoring and Evaluation and is followed by the SNG's project owners. In addition, projects that are funded by the central budget have to be reported through the MPI's public investment management information system. Each implementing agency submits the report to the DPI on a monthly basis for consolidation. Currently, the DPI prepares the consolidated report and submits to the MPI semi-annually. Even though there is a system to monitor and consolidate the reports, the DPI still does it manually. The monitoring report is publicly disclosed on the MPI website (<http://giamatdautuquocgia.mpi.gov.vn/Pages/DanhSachDonViBaoCaoGiaiNgan.aspx>). However, the individual project report is not disclosed.

**Based on the analysis and supporting evidence the score for this dimension is C.**

## PI-12. Public Asset Management

156. **The PI-12 indicator assesses the management and monitoring of SNG assets and the transparency of asset disposal.** The time period is the last completed FY while coverage is narrowed by focusing on the budgetary units of the SNG.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-12. Public asset management (M2)</b>	C+	
<b>12.1. Financial asset monitoring</b>	C	The CCT records financial assets in the financial statement of the city. These assets are recorded at book value.
<b>12.2. Non-financial asset monitoring</b>	C	The CCT has a registry on fixed assets that are above VND 500 million. However, there is not a full registry of land and subsoil assets. The fixed assets are consolidated in a report and published annually.
<b>12.3. Transparency of asset disposal</b>	B	There is a clear procedure issued by the central government related to asset disposal. The People's Committee needs to approve the transfer/disposal of assets with value above VND 500 million

### Dimension PI-12.1 Financial Asset Monitoring

157. *This dimension assesses the nature of financial asset monitoring, which is critical to identifying and effectively managing the key financial exposures and risks to overall fiscal management.* Financial assets are presented in the consolidated financial statements of the city, however not by fair value and nor do they follow IPSAS. Until the country issues Vietnam public accounting standards, the province is using Vietnam accounting regimes to account for financial transactions and both financial and non-financial assets are recorded at book value. The central government has a roadmap to issue Vietnam public accounting standards in line with IPSAS by 2024. This will enable the city to capture the fair value of the assets. Even though financial assets are reported in the financial statement, the financial statements are not published. Therefore, the financial assets are not published either.

Table PI.12.1: Financial Asset Monitoring – Check List of Record of Holdings, FY 2018

Asset Type	Holdings of financial assets maintained (Y/N)	Acquisition cost recorded (Y/N)	Fair value recognized (Y/N)	In line with international accounting standards (Y/N)	Information on performance published annually. (Y/N)
<b>Equity</b>	Yes	Yes	No	No	N
<b>Bank Dep.</b>	Yes	Yes	No	No	N
<b>Leases</b>					
<b>Receivables</b>	Yes	Yes	No	No	N
<b>Loans to People's Councils</b>					

Data source: CCT DoF

**Based on the analysis and supporting evidence the score for this dimension is C.**

## Dimension PI-12.2 Non-Financial Asset Monitoring

158. *This dimension assesses the features of non-financial asset monitoring for budgetary units of the subnational government being assessed.* The DoF maintains the asset registry of (i) official land/buildings, (ii) vehicles, and (iii) assets that are worth more than VND 500 million. The spending units maintain a record of their own assets under VND 500 million. In addition to this asset registry, the Department of Transport maintains the registry of road infrastructure assets and DARD maintains the registry of rural domestic water structure assets. The land registry is maintained by the Department of Natural Resource and Environment. The DoF compiles an annual report on fixed assets including official land/building, vehicles, assets that are worth more than VND 500 million, roads, and rural water and reports these to the MoF annually. The consolidated report does not include land nor sub-oil land. The information includes ages of the assets, usage, opening values, depreciation expenses, and closing values.
159. Assets are recorded at historical cost and depreciated over time. Therefore, some of the assets are zero in value but still in use. Only when an asset is to be transacted (e.g. asset sales or leasing), is the asset re-valued and such value updated in the asset registry. For land price, the CCT establishes a Land Price Appraisal Council for cases of relocation or resettlement. The resultant price is within the price schedule issued by the People’s Council, which is often far below the market price.

Table PI.12.2: Non-Financial Asset Monitoring – Check List of Record of Holdings

Register of fixed assets (Y/N)	Information on usage and age (Y/N)	Register of land assets (Y/N)	Register of subsoil assets (if applicable) (Y/N/N/A)	Information on performance published annually (Y/N)
Y	Y	Y	N	Y

Data source: DoF

**Based on the analysis and supporting evidence the score for this dimension is C.**

## Dimension PI-12.3 Transparency of Asset Disposal

160. *This dimension assesses whether the procedures for transfer and disposal of assets are established through legislation, regulation, or approved procedures.* The People’s Committee should approve the procurement, transfer, or disposal of land/official building, vehicles, and assets that have a value of above VND 500 million. Assets that are below VND 500 million are decentralized to the spending units that own the assets. There is also a clear procedure to asset dispose as stipulated in Government Decree 151/2017 and Resolution 01/2018/NQ-HDND issued by CCT. The asset holder should submit its asset transfer or disposal proposal to the DoF. The DoF then examine the asset condition and follow the guidance for asset disposal. Gain or loss in asset revaluation is recorded in the final budget reports.

Table PI.12.3: Transparency of Asset Disposal

Procedures for non-financial asset disposal established (Y/N)	Procedures for financial asset disposal established (Y/N)	Information included in budget documents, financial reports or other reports (Full/Partial specify)	Register of subsoil assets (if applicable) (Y/N/N/A)	Information on asset disposal submitted to legislature (Y/N)
Y	N	Y	N	N

Data source: DoF

Based on the analysis and supporting evidence the score for this dimension is B.

## PI-13. Debt Management

161. **The PI-13 indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements.** Both budgetary units and extrabudgetary units of the SNG were included in the assessment of this indicator. The time period assessed was “at time of assessment” for PI-13.1, the last completed FY for PI-13.2, and “at time of assessment” with reference to the last three completed FY for PI-13.3.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-13. Debt management (M2)</b>	C+	
<b>13.1. Recording and reporting of debt and guarantees</b>	C	The DoF monitors all debt of the city and reports the debt statistics to the MoF bi-annually. The debt data is complete and accurate but does not include the debts of extra-budgetary funds and units. Information is reconciled on an annual basis. Areas where reconciliation requires additional information to be complete are acknowledged as part of documentation of records
<b>13.2. Approval of debt and guarantees</b>	A	The Debt Management Law and guiding regulation clearly stipulate the procedure for issuing new debt and guarantees as well as the approving authority of new debts.
<b>13.3. Debt management strategy (DMS)</b>	D	CCT prepares the medium-term debt plan. However, this plan does not have target indicators such as interest rate or foreign currency risks. The plan is not publicly disclosed

### Dimension PI-13.1 Recording and Reporting of Debt and Guarantees

162. *This dimension assesses the integrity and comprehensiveness of domestic, foreign, and guaranteed debt recording and reporting.* SNGs can borrow pursuant to the State Budget Law. CCT can only borrow for investments. According to the Public Debt Management Law, SNGs can borrow from different sources including SNG bond issuance, on-lending from the central government, Treasury advances, and borrowing from financial institutions. Currently, CCT is borrowing from central government on-lending, State Treasury, and the Vietnam Development Bank. The debt borrowing of PSDUs and extra-budgetary funds are not reported to the DoF. Therefore, the DoF is not aware how much debt these PSDUs have, nor do they reconcile PSDUs’ debts. CCT only has ODA loans for three projects: (i) Can Tho urban development and resilience, (ii) Can Tho river embankment for climate resilience and adaptation, and (iii) improved land governance and databases. The DPI consult with the DoF for the receipt of new loans. In essence, the DoF will consider whether to incur

new borrowing based on an annual debt limit (60 percent of total retained earning). As of 2019, the city's total debt stock was VND 519,369 million, 15 percent of the borrowing threshold assigned by the National Assembly.

Table PI.13.1. SNG Debt Borrowing

	Borrowing amount (million, 2019)
Vietnam development bank	47,938
ODA on-lent from the central government	471,432
<b>Total</b>	<b>519,369</b>

Source: DoF

163. The DoF currently monitors on-lent debts manually using excel. The project owners and PMUs submit their financial reports to the DoF for monitoring on a monthly basis. In addition, the MoF informs the DoF of the debt disbursement so that the DoF can reconcile with the project owners on a monthly basis. The DoF records the debt after reconciling the debt between the MoF and the project owners. The debt records are complete and up to date for budgetary units. The DoF updates the debt recording on a monthly basis and data is reconciled on a monthly and annual basis. However, according to the latest evidence, the MoF informed the disbursement to the DoF for three months instead of every month. Therefore, the DoF can only reconcile quarterly data. The DoF reports the debt plan and payment to the MoF bi-annually. Report 190/UBND-KT shows the debt opening balance, debt payment, and ending balance. Areas where reconciliation requires additional information to be complete are acknowledged as part of documentation of records

Table PI.13.2. Recording and Reporting of Debt and Guarantees

Domestic and foreign debt records maintained (Y/N)	Frequency of update of records (M/Q/A)	Records are complete and accurate (Y/N)	Frequency of reconciliation M=Monthly Q=Quarterly A=Annually N=Not done (Add whether All; Most: Some; Few)	Statistical reports (covering debt service, stock and operations prepared) M/Q/A/N	Additional information from reconciliation reported (if no statistical report) (Y/N)
Y	M/A	Y	Q/A	Bi-annual	Y

Data source: DoF

**Based on the analysis and supporting evidence the score for this dimension is C.**

### Dimension PI-13.2 Approval of Debt and Guarantees

164. This dimension assesses the arrangements for the approval and control of the government's contracting of loans and issuing of guarantees, which is crucial to proper debt management performance. The procedure to incur new debt and to issue guarantee is stipulated in the Public Debt Management Law and Government Decree 97, which is followed by CCT. This guidance stipulates that the DoF put together the annual debt borrowing and repayment plan to be submitted to the Provincial People's Committee for approval. Once the Provincial People's Committee approves the plan, the DoF submits it to the MoF for review. Upon receiving no objection of the MoF, the Provincial People's Committee issues its approval decision on the city's annual debt borrowing and repayment plan.



Table PI.13.3: Approval of Debt and Guarantees,

Primary legislation exists (Y/N; Name of Act)	Documented policies and guidance		Debt management responsibility		Annual borrowing approved by government or legislature
	Guidance to single debt management entity	Guidance to several entities	Authorization of debt granted to single responsible entity	Transactions reported to and monitored only by single responsible entity	
Yes. Debt management law and Decree 97	Yes	Yes	DoF	DoF	Yes, People's Committee and reviewed by the MoF

Data source: DoF

**Based on the analysis and supporting evidence the score for this dimension is A.**

### Dimension PI-13.3 Debt Management Strategy

165. *This dimension assesses whether the subnational government has prepared a debt management strategy with the long-term objective of contracting debt within robust cost-risk trade-offs.* The CCT is allowed to borrow domestically and from the ODA source that is on-lent from the central government. The city prepares its five year medium-term debt plan. The last five year debt plan covers the period 2016-2020 in line with the five year medium-term financial plan. The plan identifies the fiscal space for new debt borrowing, but without considering factors such as interest rate risks and FX risks as part of the assessment. All on-lending loans from the central government have been made in the same foreign currency that the central government had borrowed. The annual debt borrowing and repayment plan as described in dimension PI-13.2 is aligned with the medium-term debt plan. The medium-term debt plan is not publicly disclosed.

**Based on the analysis and supporting evidence the score for this dimension is D.**

## PILLAR 4: Policy-Based Fiscal Strategy and Budgeting

**This pillar assesses whether the government’s fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.** Policy-based fiscal strategy and budgeting processes enable the government to plan the mobilization and use of resources in line with its fiscal policy and strategy.

### PI-14. Medium-Term Budget Strategy

166. **This indicator measures the ability of a SNG to develop robust macroeconomic and fiscal forecasts, which are crucial for developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations.**<sup>25</sup> It also assesses the government’s capacity to estimate the fiscal impact of potential changes in economic circumstances. The assessment of this indicator covered the budgetary units and the last budget submitted to the elected local legislature.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-14. Medium-term budget strategy (M2)</b>	D+	
<b>14.1. Underlying forecasts for medium-term budget</b>	C	Estimates of revenue and expenditure were available for the FY and two outer years, in which estimates for the FY was the same as presented in its annual budget plan. They followed the city’s medium-term development strategy as reflected in the City Party Congress Resolution for 2016-2020, and based on fiscal growth rates guided by MoF, not on key demographic and macroeconomic indicators.
<b>14.2. Fiscal impact of policy proposals</b>	D	Revenue policy is decided by central government. In principle, the fiscal impact of any new expenditure policy should be justified. However, such analysis, if undertaken, is not included in the synthesized report submitted to the City Council but is reported separately. Written evidence of this analysis is not provided for assessment.
<b>14.3. Medium-term expenditure and revenue estimates</b>	B	The annual budget proposal presents estimates of revenue and expenditure for the budget year and two outer years. The estimates are classified by economic classification at aggregate level (capital vs. recurrent) and by function.
<b>14.4. Consistency of budget with previous year estimates</b>	D	Only budgeted and estimated data of the last year of the last medium-term budget is available in parallel with estimates for the current medium-term budget. No narrative explanation is available for any change.

167. State Budget Law 2015 requires that a three year FBP – a type of medium-term budget strategy – is developed at national and subnational levels in a rolling manner. DoF and DPI are expected to jointly develop subnational FBPs, which should be aligned with overall development priorities and targets set out in the five year financial plan (currently 2016-2020, extended to 2021). The FBP is submitted to the Provincial People’s Council as a reference in its discussion, review, and approval of the annual budget plan. While the FBP is not legally binding document, its use is expected to give Provincial People’s Council members a strategic and predictable viewpoint when engaging in the annual budget discussion.

<sup>25</sup> In line with recent guidance for SNG PEFA assessments, performance indicators PI-14, 15, and 16 are combined into PI-14.

## Dimension PI-14.1 Preparation of the Budget

168. *This dimension assesses the extent to which estimates of revenue and expenditure for the budget year and two following fiscal years are prepared by taking into account the economic context.* Chapter 3 of Decree 45/2017/ND-CP dated April 21, 2017, on Detailed Guidance for Developing the Five Year Financial Plan and Three Year FBP provides specific guidance on FBP development. Complying with Article 15.2 of Decree 45, a subnational FBP should cover the following topics:
- Assess implementation of the current year's Socio-Economic Development Plan and forecast key socio-economic development targets for the next three years.
  - Assess execution of the current year's budget plan and anticipate key national and local policies to be implemented in the next three years.
  - Develop an aggregate fiscal balance framework for the budget year and two outer years. The framework should include: (i) revenue forecast (disaggregated by sources) and narrative justification; (ii) expenditure forecast (disaggregated by functions) and narrative justification; and (iii) budget deficit, level of outstanding debt, and different debt management indicators.
  - Set strategic directions for revenue and expenditure compositions, allocation norms, and criteria and priorities for budget allocation.
  - Set spending ceilings for provincial departments and transfers to district governments.
  - Forecast main fiscal risks with large impacts on subnational budget revenue and expenditure, and local debt management indicators.
  - Propose solutions for implementation of subnational FBP.
169. The 2020-2022 FBP was included in the City's Provincial People's Committee Report No. 285/BC-UBND dated November 29, 2019, on the 2020 budget proposal submitted to the Council. It includes estimates of both revenue and expenditure for the FY (2020) and two outer years (2021-2022).
170. The FBP 2020-2022 consists of three data tables: (i) revenue estimates, disaggregated by sources (domestic versus export-import tariff), in which the former is further broken down by types of tax; (ii) expenditure estimates, disaggregated on-balance expenditure further broken down by economic purpose and function, loan principal payment, and budget deficit; and (iii) borrowing and debt service scheme including information on annual debt ceilings, SNG budget deficit, borrowing and principal payment scheme (debt stock at the beginning of a year, year-in debt services broken down by borrowing sources and payment sources, new year-in borrowings and year-end debt stock, and year-in interest payment).
171. The column on budget estimates for 2020 in the FBP 2020-2022 is exactly the same as the 2020 budget plan, implying a connection between annual and medium-term budgeting.
172. The FBP was developed based on key fiscal growth rates, guided by the MoF, for all three years: average annual growth rate of domestic revenue as 10-12 percent and that of export-import tariff as 5-7 percent. However, it does not provide justification of key demographic and macroeconomic indicators as a base for estimation. Without clear use of key demographic and macroeconomic indicators as the basis for making estimates of revenues and expenditure for the budget year, the dimension does not meet "B" score standard.

**Based on the analysis and supporting evidence the score for this dimension is C.**

## Dimension PI-14.2 Fiscal Impact of Policy Proposals

173. This dimension assesses the capacity of the SNG to estimate the fiscal impact of revenue and expenditure policy proposals developed during budget preparation. The assessment of the fiscal implications of policy changes is critical to ensure that policies are affordable and sustainable. It covers the last budget submitted to the City People’s Council (in 2019).

Table PI.14.1. Fiscal Impact of Policy Proposals

Estimates of fiscal impact of ALL proposed changes prepared		
Budget year	Two following FYs	Submitted to legislature
No	No	No (as a synthesized report)

Data source: N/A.

174. On the revenue side, since most revenue policies are decided at central level, there is little room for a SNG to propose their own revenue policies. In 2019, CCT did not make any revenue policy proposal.

175. On the expenditure side, when a new spending policy is initiated, its fiscal impact is always analyzed and the analytical report is submitted to the City People’s Council. For example in 2019, implementing the National Assembly’s resolution on public sector downsizing, the city initiated a policy for merging wards and communes. Compensation for staff redundancy was estimated and added into its budget plan. However, the estimates of fiscal impact of proposed policies are made on an annual, not a medium-term (three year) basis, and they are not included in the budget documentation submitted to the Council.

176. Expenditure policy proposals include large capital investment projects and recurrent expenditure proposals. According to the Public Investment Law, owners of public investment projects must submit their investment intention report (similar to the concept note) to the Provincial People’s Committee for review. Only accepted investment proposals can enter the MTIP, which is a legal basis for getting funding for their feasibility studies and then their investment (if feasibility studies are approved).

177. The DPI provided appraisal reports for the four largest capital projects in 2019: (i) Vam Xang bridge construction with a total investment cost of VND 450 billion; (ii) Provincial Road 922 Route (VND 1,495 billion); (iii) Construction of Traditional Hospital with 200 beds (VND 150 billion); and (iv) Rural water supply for drought and salination prevention and climate change adaptation (VND 121 billion). All project proposals included investment costs, operation and maintenance costs, and analysis of funding sources for these, but only with very rough estimations.

178. Information on estimates of the fiscal impact of proposed changes in revenue and expenditure policy was collected based on interviews with concerned parties without observable evidence.

**Based on the analysis and supporting evidence the score for this dimension is D.**

## Dimension PI-14.3 Medium-Term Expenditure Estimates

179. *This dimension assesses the extent to which medium-term expenditure estimates are prepared and updated as part of the annual budget process. It covers the last budget submitted to the City People’s Council (in 2019 for three years 2020-2022).*

Table PI.14.2. Medium-Term Expenditure Estimates

Classification	Budget year (Y/N)	Two following FYs (Y/N)
Administrative	N	N
Economic	Y*	Y*
Program/Function	Y**	Y**

Note: (\*) Only at the aggregate level including development investment and recurrent categories (see PI-4).

(\*\*) Capital budget was disaggregated by funding sources including on-budget, charges from granting land use rights, lottery, local budget deficit (borrowing), and others. Recurrent budget was disaggregated by 15 functions (13 functions as stipulated in SBL 2015: education, health, economic affairs, environmental protection affairs...), contingency for year-in recurrent expenditures, commune budget transfer, and reserve for salary increase). In addition, budget allocation was made for other functions including interest payment, financial reserves, overall contingencies, and overall reserve for payroll adjustment.

Data source: Report No. 285/BC-UBND dated 11/29/2019 submitted to the City Council.

180. According to State Budget Law 2015, from 2017, the formulation of three year FBPs is compulsory at the city government level. There are two types of FBP: (i) aggregate province wide and (ii) provincial departments. While the former is subject to submission to the MoF and the City People’s Council to be referred to in their decision making process, the latter is just a reference for negotiation between the DoF and line departments. The provincewide FBP is submitted in parallel with the annual budget (in fact the budget year estimates in FBP are the exact annual budget), but it does not replace the annual budget. In addition to disaggregation of expenditure estimates as shown in Table 14.2, the FBP also provides disaggregated information on revenue by sources (different types of taxes and charges), and target transfer from budgetary central government. Differentiation between CCT’s own revenue from shared and retained revenue is not available.

**Based on the analysis and supporting evidence the score for this dimension is B.**

## Dimension PI-14.4 Consistency of Budget with Previous Year’s Estimates

181. *This dimension assesses the extent to which the expenditure estimates in the last medium-term budget establish the basis for the current medium-term budget. In the 2020-2022 FBP, there are columns on: i) 2019 budget plan assigned by the MoF, ii) 2019 budget plan approved by the City Council, and iii) estimated expenditure for 2019. Thus, it allows a quantitative comparison between the current year budget (the last year of the last FBP) with all years in the current FBP. However, no explanation was included for any changes made between years.*

**Based on the analysis and supporting evidence the score for this dimension is D.**

## PI-17. Budget Preparation Process

182. The PI-17 indicator measures the effectiveness of participation by relevant stakeholders in the **budget preparation process, including political leadership, and whether that participation is orderly**

**and timely.** It contains three dimensions, using the M2 (AV) method for aggregating dimension scores, and covers the budgetary SNG.<sup>26</sup>

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-17. Budget preparation process (M2)</b>	C	Annual budget calendar exists by law but is not strictly followed at national level, leading to delay in SNG. No budget ceiling.
<b>17.1 Budget calendar</b>	B	A clear annual budget calendar is set nationally. CCT adheres to the steps which are under its control. According to the calendar, provincial agencies have more than 4 weeks to prepare budget proposal, all agencies submitted on time in 2019.
<b>17.2 Guidance on budget preparation</b>	D	No budget ceiling is given to provincial agencies for annual budget proposal.
<b>17.3 Budget submission to the legislature</b>	C	Provincial People's Committee submitted budget proposal at least 1 month before FY end in each of the last three FYs.

### Dimension PI-17.1 Budget Calendar

183. *This dimension assesses whether a fixed budget calendar exists and the extent to which it is adhered to.* It covers the budget submitted in 2019 for 2020 implementation.

#### Legal framework on budget preparation

184. The budget calendar of Vietnam is well established in the State Budget Law 2015, the Implementation Decree No.163/2016/NĐ-CP, and Circular No. 342/2016/TT-BTC of the MoF. The resultant instructions apply to all state bodies including the Province of Can Tho. Accordingly, the calendar starts with the Prime Minister's Directive to ministries, central agencies, and SNGs on socio-economic planning and budgeting for the following year prior to May 15 every year.

185. Based on the Directive, the MoF (in respect of recurrent expenditure) and the MPI (in respect of capital expenditure) both issue Circulars, providing more specific guidance on the key points in the budget formulation process as well as indicative revenue and expenditure budgets to each ministry and SNG before June 1. These agencies in turn issue detailed guidance on budget preparation and indicative budget ceilings to their subsidiaries by June 15 each year. CCT followed this practice in all assessed years.

186. SNGs are required to submit their budget proposals to the MoF before July 20. The MoF then consolidates information from the MPI, line ministries and agencies, and SNGs and submits the whole country budget proposals to the National Assembly before September 20. After receiving National Assembly approval, the Prime Minister announces the final budget allocation to each ministry and SNG by November 20. The sub-national People's Council should approve the provincial budget after the Prime Minister's announcement and before December 10. The sub-national People's Committee should announce the budget to line departments, PSDUs, and districts five days after People's Council approval and not later than December 31.

#### Practice in Can Tho City 2019 for budget 2020

187. The issuance of MoF guidance for budget 2020 on June 28, 2019, was later than planned, but proactively the Provincial People's Committee issued guidance to its departments, PSDUs, and districts before the MoF guidance was received, on June 15, 2019. This was based on the Provincial People's Committee own forecast of the likely MoF guidance. This means that the Province's agencies had 35 days to prepare budget proposals before the deadline given by law of July 20.

<sup>26</sup> See Annex 1 for an explanation of the scoring of the performance indicators.

188. CCT departments completed their budget proposal early and the city submitted its 2020 budget proposal to the MoF on July 10, 2019, 10 days earlier than the law's requirement. The final budget approval and budget announcement were also made by the CCT People's Council and the CCT People's Committee earlier than legally required. Thus, CCT adhered to the budget calendar. Actual dates in 2019 are set out below:

Government level	Agencies/ Persons	Actions	Date per regulations	Actual date for 2019
National	Prime Minister	Issue Directive to Ministries, central agencies, and SNGs on socio-economic planning and budgeting	May 15	June 25
National	MoF	Issue Circular for more specific guidance and indicative revenue and expenditure budgets to each ministry and SNG in respect of recurrent expenditure	June 1	June 28
National	MPI	Issue Circular for more specific guidance and indicative revenue and expenditure budgets to each ministry and SNG in respect of capital expenditure	June 1	June 28
Subnational	Can Tho Provincial People's Committee	Issue detailed guidance on budget preparation to line departments, directly supervised PSDUs, and district Provincial People's Committees	<b>June 15</b>	June 15
Subnational	Can Tho Provincial People's Committee	Submit city-wide budget proposals to MoF	<b>July 20</b>	July 10
National	MoF	Submit whole country budget proposals to National Assembly	September 20	October 25
National	National Assembly	Approve country annual budget	Before November 20	November 12
National	Prime Minister	Announce final budget allocation to each ministry and SNG	November 20	November 29
Subnational	Can Tho People's Council	Approve city-wide annual budget	December 10	December 7
Subnational	Can Tho Provincial People's Committee	Announce budget allocation to line departments, directly supervised PSDUs, and district Provincial People's Committee  Report city's budget approved by People's Council to MoF	5 days after People's Council approves city's budget  Not later than December 31	December 10

**As a clear annual budget calendar exists, is adhered to, and allows four weeks for budgetary units to complete their budget proposals, the score for this dimension is B.**

### Dimension PI-17.2 Guidance on Budget Preparation

189. This dimension assesses the clarity and comprehensiveness of top-down guidance on the preparation of budget submissions. It covers the budget submitted in 2019 for 2020 implementation. Guidance for budget preparation is issued by the People's Committee to its directly controlled departments, PSDUs, and districts every year. The guidance covers all type of revenue and expenditure for the annual plan and medium-term budget proposal. The guidance is based on guidelines and standard cost norms issued by central ministries.

190. The guidance, however, does not include any budget ceiling to the provincial agencies. Instead, the provincial agencies' budget proposal is prepared based on the perceived demand for resources and negotiated with the People's Committee and DoF/DPI for inclusion in the final budget proposed to the People's Council.

**Based on the analysis and supporting evidence the score for this dimension is D.**

### Dimension PI-17.3 Budget Submission to the Sub-National Council

191. This dimension assesses the timeliness of submission of the annual budget proposal for 2017, 2018, and 2019 to the legislature or similarly mandated body so that the legislature has adequate time for its budget review and the budget proposal can be approved before the start of the FY. State Budget Law requires that after the Prime Minister announces the final country wide annual budget allocation, the sub-national People's Committee submits final annual budget proposal to the People's Council for approval. Therefore, the date the Provincial People's Committee submits its final budget proposal depends on the date the Prime Minister announces the country-wide budget, which is normally later than that required by law. In 2017, 2018, and 2019 the Provincial People's Committee submitted the budget proposal to the People's Council more than one month but less than two months before the start of the FY, as shown in the table below.

Table PI.17.2: Budget Submission to Legislature

Year	Date of Can Tho Provincial People's Committee submission of budget proposal to People's Council	Date of Prime Minister's announcement of country wide budget proposal
2017	November 29	November 29
2018	November 30	November 23
2019	November 29	November 29

Data source: Budget proposals as published by Can Tho Provincial People's Committee

**Based on the analysis and supporting evidence the score for this dimension is C.**

## PI-18. Legislative Scrutiny of Budgets

192. The **PI-18 indicator assesses the nature and extent of scrutiny of the annual budget by the Legislative Assembly**. It contains four dimensions, using the M1 (WL) method for aggregating dimension scores, and covers the budgetary SNG.<sup>27</sup>

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-18. Legislative scrutiny of budgets (M1)</b>	<b>B++</b>	CCT People's Council's review of budget proposals covers all revenue and expenditure, medium term financial plan, priorities, and fiscal policies. Budget approvals were made before FY end. Every budget adjustment is subject to People's Council's approval. The budget scrutiny does not include public consultation
<b>18.1. Scope of budget scrutiny</b>	<b>A</b>	CCT People's Council's review of budget proposals covers all revenue and expenditure, medium term financial plan, priorities, and fiscal policies

<sup>27</sup> See Annex 1 for an explanation of the scoring of the performance indicators.



INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>18.2. Legislative procedures for budget scrutiny</b>	B	Budget scrutiny in CCT is done by the People's Council's Economic and Budget Board, in consultation with other Boards of the Council. It includes hearings with local government but does not officially include public consultation.
<b>18.3. Timing of budget approval</b>	A	Budget approvals for 2017, 2018, and 2019 were made before FY end.
<b>18.4. Rules for budget adjustments by the executive</b>	A	CCT Provincial People's Committee is required by Law to seek People's Council approval for every budget adjustment.

### Dimension PI-18.1 Scope of Budget Scrutiny

193. *This dimension assesses the scope of legislative scrutiny in 2019.* The State Budget Law 2015 requires the sub-national People's Councils to scrutinize the estimates and budget proposal of the local government based on national policies and local context. The annual budget proposal submitted by the Provincial People's Committee to the People's Council includes the annual budget plan for the next FY and the rolling financial plan for the next three years. People's Councils are required by law to decide on: i) estimates of national revenue collected in the local area governed by the People's Council; ii) estimates of local government revenue, including wholly-owned revenue and shared revenue, and subsidies from national government; iii) estimates of local government expenditure, including public investment, recurrent expenditure, debt repayments, reserves, and provisions; and iv) local government debt ceilings. The Law also requires People's Councils to decide on the local government's five year financial plan, its objectives and outcomes, probability of revenue collections, expected budget deficits, debt ceilings, and key measures to execute the plan. The five year financial plan is not updated annually. Instead, it is a fixed document. The last plan was for 2016-2020 and the new plan is for 2021-2025. People's Councils set fiscal policy by deciding the budget allocation criteria, cost norms, and revenue sharing criteria within their jurisdiction, taking into account the standard cost norms given by the central government.
194. This requirement of the Law was strictly followed in CCT during the PEFA assessment period. On December 6, 2019, the CCT People's Council issued Resolution 36/NQ-HĐND to decide the budget estimate for CCT revenue and expenditure in 2020. The Resolution covers all types of revenue, investment and recurring expenditure, repayment of debts, and the measures to implement the plan, such as revenue administration, asset management, PSDU reform, budget inspection, and budget transparency. Before issuing the final resolution, the People's Council also issued document No. 492/BC-HĐND on November 29, 2019, to scrutinize the People's Committee Report on 2019 budget execution, 2020 annual budget plan, and three year financial plan 2020-2022. Scrutiny was carried out by the Finance and Economic Board of the Council, covering all areas of revenue and expenditure, including expenditure cost norms and revenue sharing ratio, of the estimates for 2020, as well as the reasonableness of the three year financial plan 2020-2022.

**Based on the analysis and supporting evidence the score for this dimension is A.**

### Dimension PI-18.2 Legislative Procedures for Budget Scrutiny

195. *This dimension assesses the extent to which review procedures were established and adhered to in 2019.* Procedures for sub-national People's Councils' scrutiny of the budget proposal are provided in Decree 31/2017/ND-CP dated March 23, 2017, on Preparation, Review, and Decision on the Country's Five Year Financial Plan, Five Year Public Investment Plan, Three Year FBP, Annual Budget Proposal, and Annual Budget Execution Report at Sub-National Level.

196. The Decree assigns the scrutiny function to the Economic and Budget Board of the People's Council, with detailed objectives, procedures, methodology, and coordination with other agencies to review these plan and budget documents. The Economic and Budget Board works with other agencies of the People's Council and technical departments of People's Committee during the scrutiny process. The final response of the People's Committee to the Economic and Budget Board's comments on the budget documents should be made in writing. The Economic and Budget Board consolidate all comments and responses of the People's Council's agencies and Provincial People's Committee into the final budget scrutiny report and submit it to People's Council's Standing Committee for final review. After this process of budget scrutiny by the Economic and Budget Board, in consultation with other sector boards of the Council and hearings with the People's Committee, the People's Council discusses the proposal of the People's Committee and the scrutiny report of the Economic and Budget Board at its annual meeting. The People's Council then approves the submitted plans and budget reports. The Decree requires the People's Council to approve the budget proposal before December 10 of the year preceding the year for which the budget is to be enacted. The Decree does not, however, require public consultation during the scrutiny process. Scrutiny reports produced by CCT People's Council in 2019 for the budget proposal 2020 adhered to the procedures provided in this Decree.

**Based on the analysis and supporting evidence the score for this dimension is B.**

### **Dimension PI-18.3 Timing of Budget Approval**

197. *This dimension assesses the timeliness of the scrutiny process in 2017, 2018 and 2019 in terms of the legislature's ability to approve the budget before the start of the new FY.* The CCT People's Council issued Resolutions to approve the annual budget for CCT for 2020, 2019, and 2018 on December 6, 2019, December 7, 2018, and December 6, 2017 respectively.

**Based on the analysis and supporting evidence the score for this dimension is A.**

### **Dimension PI-18.4 Rules for Budget Adjustments by the Executive**

198. *This dimension assesses arrangements made to consider in-year budget amendments in 2019 that do not require legislative approval.* Procedures for budget adjustments are provided in the Law on State Budget 2015 and Decree 163/2016/NĐ-CP dated December 21, 2016. The Law and Decree require People's Committees to seek approval from People's Councils for every budget adjustment. People's Committees cannot make budget adjustment to change the total budget allocation amount or reallocate budget from one budget line to the other. The CCT People's Committee strictly follow this rule. All budget adjustments were approved by the People's Council in 2019.

**Based on the analysis and supporting evidence the score for this dimension is A.**

## PILLAR 5: Predictability and Control in Budget Execution

**Predictable and controlled budget execution is necessary to ensure that revenue is collected, and resources are allocated and used as intended by government and approved by the legislature. Effective management of policy and program implementation requires predictability in the availability of resources when they are needed, and control ensures that policies, regulations, and laws are complied with during the process of budget execution.**

### PI-19. Revenue Administration

199. **This PI-19 indicator focuses on the administration of the SNG core taxes.** For the purpose of this indicator, core taxes of the SNG are the major direct and indirect taxes, including those (a) administered and collected directly by the SNG and/or (b) administered directly by the SNG but collected by a higher-level government or agency; that account for 75 percent or more of the total tax revenue of the SNG. Inclusion of many small revenue-generating taxes would overly complicate the assessment process. This indicator assesses the procedures used to collect and monitor the core taxes of the SNG. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.<sup>28</sup> It covers budgetary and extrabudgetary units of the SNG.

200. According to the Law on State Budget 2015, all taxes are directly managed by the General Department of Taxation and the General Department of Customs, which are affiliated to the MoF, directly managing tax revenue nationwide. These two General Departments have local tax and customs offices to organize the management of tax revenue for local governments, then the revenue is shared with local governments. Therefore, this index is not applicable (N/A).

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-19. Revenue administration (M2)</b>	<b>N/A</b>	
<b>19.1. Rights and obligations for tax measures</b>	N/A	Administered by the National General Department of Taxation and the National General Department of Customs
<b>19.2. Property tax register and valuation</b>	N/A	Administered by the National General Department of Taxation and the National General Department of Customs
<b>19.3. Tax risk management, audit and investigations</b>	N/A	Administered by the National General Department of Taxation and the National General Department of Customs
<b>19.4. Tax arrears monitoring</b>	N/A	Administered by the National General Department of Taxation and the National General Department of Customs

#### PI-19.1. Rights and Obligations for Tax Measures

201. *This dimension assesses at the time of assessment the extent to which the sub-national government provides taxpayers of core taxes with access to information about their rights and obligations as well as access to administrative procedures and processes that allow redress, such as a fair and independent body outside of the general legal system (ideally a “tax court”) that is able to consider appeals. All taxes are administered by the National General Department of Taxation and the National General Department of Customs.*

**The score for this dimension is therefore N/A.**

<sup>28</sup> See Annex 1 for an explanation of the scoring of the performance indicators.

## PI-19.2. Property Tax Register and Valuation

202. *This dimension assesses the extent to which the property tax collection benefits from a comprehensive and accurate tax base at the time of assessment.* Agricultural land use tax, non-agricultural land use tax, land use fees, land rental, and water surface rental can all be considered under this category in Vietnam. However, **all taxes** are administered by the National General Department of Taxation and the National General Department of Customs.

**The score for this dimension is therefore N/A.**

## PI-19.3. Tax Risk Management, Audit and Investigations

203. *This dimension assesses the extent to which a structured and systematic approach is used for assessing and prioritizing compliance risk for the core taxes administered and collected directly by the sub-national government at the time of assessment.* **All taxes** are administered by the National General Department of Taxation and the National General Department of Customs.

**The score for this dimension is therefore N/A.**

## PI-19.4. Tax Arrears Monitoring

204. *This dimension assesses the extent of proper management of arrears for core taxes within the sub-national government by focusing on the level and age of arrears for core taxes.* **All taxes** are administered by the National General Department of Taxation and the National General Department of Customs.

**The score for this dimension is therefore N/A.**

## PI-20. Accounting for Revenue

205. **This PI-20 indicator assesses the procedures for recording and reporting revenue collections, consolidating revenue collected, and reconciling tax revenue accounts at the time of assessment.** It covers both tax and nontax revenue collected by the SNG. This contains three dimensions and uses M1 (WL) for aggregating dimension scores.<sup>29</sup>

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-20. Accounting for revenue (M1)</b>	<b>N/A</b>	
<b>20.1. Information on revenue collections</b>	N/A	Administered by the National General Department of Taxation and the National General Department of Customs.
<b>20.2. Transfer of revenue collections</b>	N/A	Administered by the National General Department of Taxation and the National General Department of Customs.
<b>20.3. Revenue accounts reconciliation</b>	N/A	Administered by the National General Department of Taxation and the National General Department of Customs.

### Dimension PI-20.1 Information on Revenue Collections

206. *This dimension assesses the extent to which a central ministry, i.e. MoF or a body with similar responsibilities, coordinates revenue administration activities and collects, accounts for, and reports timely information on*

<sup>29</sup> See Annex 1 for an explanation of the scoring of the performance indicators.

collected revenue covered in PI-19. This is the responsibility of the State Treasury, the National General Department of Taxation, and the National General Department of Customs.

**The score for this dimension is therefore N/A.**

### Dimension PI-20.2 Transfer of Revenue Collections

207. *This dimension assesses the promptness of transfers to Treasury other designated agencies of revenue collected at the time of the assessment.* This is the responsibility of the State Treasury, the National General Department of Taxation, and the National General Department of Customs.

**The score for this dimension is therefore N/A.**

### Dimension PI-20.3 Revenue Account Reconciliation

208. *This dimension assesses the extent to which aggregate amounts related to assessments/charges, collections, arrears, and transfers to (and receipts by) DoF or designated other agencies take place regularly and are reconciled in a timely manner at the time of assessment.* Revenue from taxes is administered by the National General Department of Taxation and the National General Department of Customs –the city administers fees and charges, but these are immaterial relative to total revenue.

**The score for this dimension is therefore N/A.**

## PI-21. Predictability of in-Year Resource Allocation

209. *This indicator assesses the extent to which the central MoF is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery.* It contains four dimensions, using the M2 (AV) method for aggregating dimension scores, and covers the budgetary SNG.<sup>30</sup>

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-21. Predictability of in-year resource allocation (M2)</b>	<b>A</b>	
<b>21.1. Consolidation of cash balances</b>	A	All bank and cash balances are consolidated on a daily basis.
<b>21.2. Cash forecasting and monitoring</b>	A	The Central State Treasury is responsible for centralized cashflow forecasting, with the bottom-up forecasts provided by the City Treasury Office. A cash flow forecast is prepared for the FY and is updated at least monthly.
<b>21.3. Information on commitment ceilings</b>	B	Spending units have their budget plans approved prior to December 31 of the previous year and are able to plan and commit their expenditure at any time in the current year according to the annually authorized budget. While actual targeted transfers, especially for public investments, were not always made at the beginning of the year, the information is at least available quarterly in advance.
<b>21.4. Significance of in- year budget adjustments</b>	A	In 2019, the CCT province made two budget adjustments, which were approved by the People's Council.

<sup>30</sup> See Annex 1 for an explanation of the scoring of the performance indicators

### Dimension PI-21.1 Consolidation of Cash Balances

210. *This dimension assesses the extent to which the MoF can identify and consolidate cash balances as a basis for informing the release of funds at the time of assessment.* According to the provisions of MoF Circular No. 58/2019/TT-BTC dated August 30, 2019, the CCT State Treasury opens one payment account at Joint Stock Commercial Bank for Foreign Trade of Vietnam and four collection accounts at four banks, namely Bank of Industry and Trade, Bank of Investment and Development, Bank of Agriculture and Rural Development, and Military Bank. At the end of each transaction day, all the account balances are swept to centralized payment accounts / centralized collection accounts opened by the Central State Treasury at the head offices of these banks for consolidation.

**Based on the analysis and supporting evidence the score for this dimension is A.**

### Dimension PI-21.2 Cash Forecasting and Monitoring

211. *This dimension assesses the extent to which cash flow forecasts prepared at SNG level and monitored by the SNG DoF and SNG Treasury.* The Central State Treasury is responsible for centralized cashflow forecasting, with bottom-up forecasts provided by the City Treasury Office. Circular No. 314/2016/TT-BTC, dated November 28, 2016, requires that cashflow forecasts are prepared for the FY (with quarterly breakdown) and quarterly (with monthly breakdown). In addition, daily, weekly, and monthly cashflow forecasts are prepared if needed. It is reported that the cashflow forecast is now updated monthly on the basis of actual cash inflows and outflows in practice.

**Based on the analysis and supporting evidence the score for this dimension is A.**

### Dimension PI-21.3 Information on Commitment Ceilings

212. *This dimension assesses the reliability of in-year information available to budgetary units on ceilings for expenditure commitment for specific periods for 2019.* The State Budget Law 2015 stipulates that spending units have budget plans approved prior to 31 December of the previous year. The current regulations do not require monthly and quarterly expenditure planning, therefore, spending units are able to plan and commit their expenditure at any time of the current year within their budget balances as the Central State Treasury guarantees full cash availability for legitimate spending of all spending units. However, targeted transfers from central government, particularly for capital expenditure, are often unpredictable at the beginning of the budget year, undermining the ability to commit related expenditure early in the year. The information on targeted transfers for such capital expenditure commitment is provided at least quarterly in advance.

**Based on the analysis and supporting evidence the score for this dimension is B.**

### Dimension PI-21.4 Significance of in-Year Budget Adjustments

213. This dimension assesses the frequency and transparency of adjustments to budget allocations in 2019. *Governments may need to make in-year adjustments to allocations in the light of unanticipated events that affect revenue or expenditure.* Article 52 of the Law on State Budget 2015 stipulates that the City People's Committee shall submit adjustment of the budget estimate to the Standing Committee of the City People's Council for decision and report to the People's Council at the nearest meeting in the following cases: (i) it is expected that the revenue does not reach the estimate already decided by the People's Council, so some expenditure must be adjusted downward; (ii) the Standing Committee of the National Assembly decides

to adjust the local budget estimates; (iii) when it is necessary to adjust the budget estimates of a number of budgeting units or localities at lower levels. In 2019, CCT adjusted the budget twice and completely complied with the above requirement of the State Budget Law.

**Based on the analysis and supporting evidence the score for this dimension is A.**

## PI-22. Expenditure Arrears

214. **This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control.** It contains two dimensions and uses the M1 (WL) method for aggregating dimension scores.<sup>31</sup> The time period assessed for 22.1 are the last three completed FYs, and for 22.2 is “at time of assessment”. Coverage comprises the SNG budgetary units.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-22. Expenditure arrears (M1)</b>	<b>A</b>	
<b>22.1. Stock of expenditure arrears</b>	A	There are no arrears found in the last three fiscal years. The Treasury makes timely payments to contractors.
<b>22.2. Expenditure arrears monitoring</b>	A	The city reports these late payments annually as part of the report on the capital investment allocation and disbursement report submitted to the People’s Committee

### Dimension PI-22.1 Stock of Expenditure Arrears

215. *This dimension assesses the stock of expenditure arrears under the purview of the SNG.* There are two types of arrears that are assessed in this performance indicator. First, payment arrears from the Treasury that have not been paid to contractors. Second, arrears from capital projects that the city did not allocate budget for completing the projects. There are none for both types of arrears in the last three fiscal years. The State Treasury manages commitments and makes timely payments to contractors as long as the payment request is within the budget that is approved by the People’s Council at the beginning of the year. The State Treasury has a maximum of three days to settle payments from the time they receive a payment request from spending units. No arrears were found as payments are made timely and within the approved budget. The city has also cleared off all capital arrears that had accumulated prior to 2014 so in practice there are no capital arrears. Some project owners retain around 2 percent of the cost of projects to ensure proper hand-over but contractors must be paid within six months. These late payments are not considered as arrears.

**Based on the analysis and supporting evidence the score for this dimension is A.**

### Dimension PI-22.2 Expenditure Arrears Monitoring

216. *This dimension assesses the monitoring of expenditure arrears under the purview of the subnational government.* As mentioned above, CCT reported no expenditure arrears in the period. Payments to contractors were paid on time and the project owners retained only around 2 percent of the payment to complete the necessary hand-over paperwork. The city reports these late payments annually as part of the report on the capital investment allocation and disbursement report submitted to the People’s Committee. The report for 2019 was submitted in February 2020 and the total late payment accounted for VND 75 billion.

**Based on the analysis and supporting evidence the score for this dimension is A.**

<sup>31</sup> See Annex 1 for an explanation of the scoring of the performance indicators

## PI-23. Payroll Controls

**217. PI-23 is concerned with the payroll for public servants only and covers the SNG: how it is managed, how changes are handled, and how consistency with personnel records management is achieved.**

Wages for casual labor and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25. This indicator contains four dimensions and uses the M1 (WL) method for aggregating dimension scores.<sup>32</sup>

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-23. Payroll controls (M1)</b>	<b>D+</b>	
<b>23.1. Integration of payroll and personnel records</b>	C	<p>At city level, reconciliation of the payroll with personnel records is made every six months between Treasury and the Department of Home Affairs (DoHA) or line departments. Submission of all supporting documents on changes in personnel records is required.</p> <p>At line department level, personnel records are managed by Personnel and Organization Division, while payroll is managed by Finance and/or Accounting Division. The reconciliation between the two divisions is made monthly, and the reconciliation profile is sent to Treasury to secure prompt payroll pay in the first 10 days of the month as required by the Labor Code. Thus, staff hiring, and promotion is checked against the approved budget prior to authorization. A directly linked system to support reconciliation practice is not available.</p>
<b>23.2. Management of payroll changes</b>	A	<p>Payroll and personnel records were updated every six months at the departmental level, but monthly at spending agency level in 2019. Retroactive adjustment accounted for 2% of the city's 2019 salary payment.</p>
<b>23.3. Internal control of payroll</b>	A	<p>Changes in personnel records in spending agencies are controlled by the competent authority. Payroll adjustments are only made based on these records. Agency heads are personally responsible for the accuracy and eligibility of all changes in personnel and payroll records. DoHA is the last resort for verifying personnel information attached to any payroll finance list.</p>
<b>23.4. Payroll audit</b>	D	<p>Since adoption of the block granting mechanism to administrative agencies and PSDUs in 2015, agency heads have full responsibility to manage their assigned staff quota and payroll. Thus, payroll is perceived as at low risk of corruption and no payroll audit was made in the last 3 years.</p>

218. Payroll policies (covering salary structure, staff grading, minimum salary, etc.) and personnel issues in state administrative agencies and PSDUs comply with Local Government Law and relevant regulations and decisions and/or approvals of the Ministry of Home Affairs (MoHA), which are applied nationwide.

219. *For personnel working in state administrative agencies:* the Prime Minister decides the total number of public employees in the public sector of the entire nation. MoHA is responsible for cascading this to all provinces, which becomes a centrally assigned staff quota for each province. At the provincial level, DoHA acts as an advisory body to help the City People's Committee to allocate the provincial staff quota among provincial departments and districts. This personnel appropriation scheme is subject to approval by the City People's Council.

220. *For employees working in PSDUs:* According to Decree 16/2015/ND-CP dated February 14, 2015, all PSDUs are categorized into four groups based on a decreasing level of financial autonomy: (i) Group 1: Full financial

<sup>32</sup> See Annex 1 for an explanation of the scoring of the performance indicators.



autonomy (both recurrent and capital spending); (ii) Group 2: Full recurrent expenditure autonomy; (iii) Group 3: Partial recurrent expenditure autonomy; and (iv) Group 4: Fully dependent on state budget transfer. PSDUs in Group 1 and 2 no longer receive annual budget appropriation from the government budget. PSDUs in Group 3 collect self-generated revenue from service charges with the government budget covering any revenue gap to cover the minimum operation cost, provided that the PSDU has a concrete roadmap to move towards the higher level of financial autonomy. PSDUs in Group 4 are treated exactly as administrative agencies.

221. The approval procedure for the annual staff quota in PSDUs is stipulated in Decree 106/2020/ND-CP dated September 10, 2020 on Identification of Working Posts and Number of Employees in PSDUs, which differentiates the procedure applied to PSDUs in Group 1 and 2 from that applied to PSDUs in Group 3 and 4.
- For PSDUs in Group 1 and 2: The PSDU personnel department is responsible for drafting an annual personnel plan, which is reviewed by relevant departments and management before being submitted to the PSDU head for approval. If a Managerial Council is established within the PSDU, an acceptance letter from this body is needed prior to the approval decision of the PSDU head. In short, PSDU management has full autonomy on staffing because it is fully responsible for salary payments from its self-generating revenue.
  - For PSDUs in Group 3 and 4: The PSDU personnel department is responsible for drafting an annual personnel plan for employees to be paid from the state budget (rather than from self-generated revenue). The plan, once accepted by the PSDU head, is sent to the line department for consolidation and submission to the City People's Committee via DoHA. The province-wide personnel plan, then is sent to MoHA for review. After receiving feedback from MoHA, the City People's Committee submits the annual personnel plan to the City People's Council for approval. The City People's Council's approval decision covers: (i) total number of budget-paid employees in PSDUs belonging to Group 3 and 4, which cannot exceed the number accepted by MoHA; (ii) staff quota assigned to each PSDU for employees paid by state budget; and (iii) staff quota for employees paid by PSDU's self-generating revenue.
222. To prepare for approval of the next year's personnel plan, DoHA is asked to submit the personnel plan for PSDUs to the City People's Committee and then to MoHA prior to May 1 of the current year, and that for state administrative agencies prior to June 16 of the current year.
223. At the spending unit level, there is a monthly reconciliation, verified by the head of the line department. Any adjustment in personnel records (number of staff, staff grading, etc.) is updated and verified by the head of the line department. The approved payroll finance list is then sent by the Finance and/or Accounting Division to Treasury for payroll control one or two days before the salary payment deadline (the 10th day of each month as stipulated in the Labor Code). Thus, staff hiring, and promotion is checked against the approved budget prior to authorization. All in-month salary adjustments are updated in the next month's records and reimbursements are made in the following month's pay period. After eligibility of the payroll finance list is verified by the State Treasury, payment is transferred to the unit's intermediary account opened at Treasury or relevant commercial banks. The unit makes payment of salaries and allowances to the bank accounts of the individuals on the payroll.

### **Dimension PI-23.1. Integration of Payroll and Personnel Records**

224. *This dimension assesses at the time of assessment the degree of integration between personnel, payroll, and budget data.* Currently, DoHA is responsible for advising the CCT Provincial People's Committee on assigning the aggregate staff quota to all provincial departments and specific quota to their administrative agencies

and partly self-financing recurrent expenditure PSDUs in the city.

225. Based on the assigned staff quota, the DoF estimates and assigns a lump-sum budget (block grant) to each administrative agency and PSDU. A block grant consists of payroll and operations budget. The following principle is adopted:

- *For state administrative agency:* The payroll is estimated based on the actual working staff number so that each employee's salary and eligible fringe benefits are fully paid. The operations budget is estimated by multiplying the staff operation cost norm by the quota number of assigned staff, which may be equal to or greater than the actual number of working staff.
- *For PSDU in Group 3:* DoF review the target for self-generating revenue and expenditure assignment set by the City People's Committee and cover the financial gap between them as a block grant, regardless of whether the grant is used for payroll or operation cost.
- *For PSDU in Group 4:* These are treated exactly as state administrative agencies.

226. *At the departmental level*, the payroll and personnel records are coordinated and controlled by three agencies: DoHA, DoF, and Treasury, based on the approved annual personnel plan and staff number assigned to each agency. Letter No. 118/SNV-TCBC on the Guide for Periodical Review and Sign-Off of the Personnel List on the Payroll Records of January 19, 2017, sets out that:

- *For city administrative agencies and city-managed PSDUs:* Twice a year (in January and July) and in ad hoc circumstances, when a change in an agency's personnel record occurs, DoHA is responsible for reviewing and signing off on the agency's staff list attached to its payroll finance list. In order for a staff list to be signed off, a full package of the following documents must be submitted: (i) the sealed payroll finance list, with full information of the agency head's name, signature, signing date; (ii) a list of personnel record changes; (iii) all decisions made by the competent authority to serve as evidence for changes in the personnel record.
- *For department-managed PSDUs:* A staff list is signed off by the head of the line-department. A copy of that document is sent to DoHA for tracking within the second week after the sign-off.

227. Treasury is responsible for controlling agency payroll records based on the assigned staff quota. In January and December of each year, together with DoHA, Treasury makes a reconciliation between the payroll records and personnel records in each agency.

228. *At the spending agency (line-department) level*, the reconciliation is made monthly between the personnel and organization division and finance and/or accounting division and approved by the head of the line department. The approved list is promptly sent to Treasury for payroll control to guarantee salary payment being made within the first ten days of each month.

229. In summary, reconciliation of the payroll with the personnel records is made every six months between Treasury on one side, and DoHA (for city-managed agencies) or line departments (for line-department managed agencies) backed up by DoHA's supervision. At spending unit level, the reconciliation is made monthly. However, this reconciliation is made manually, not by a directly linked system. Table 23.1 provides a summary of tasks undertaken by different agencies regarding payroll control in a typical line-department.

Table 23.1. Payroll control and tasks undertaken by different agencies and units

Function	Y/N	By whom	Frequency (if applicable)
Hiring and Promotion checked against approved staff list	Y	Organization and Personnel Division	
Reconciliation of payroll and personnel database	Y	Two units: Organization and Personnel Division and Finance and Accounting Division	Every month
Documentation maintained for payroll changes	Y	Division and Finance and Accounting	
Payroll checked and reviewed for variances from last payroll	Y	Division and Finance and Accounting Division DoF	
Updates to personnel records and payroll	Y	Two units: Organization and Personnel Division and Finance and Accounting Division	
Updates include validation with approved staff list	Y	Organization and Personnel Division	
Audit trail of internal controls	N		
Payroll audits in last three years	N		

Source: Consultant team's consolidation

**Based on the analysis and supporting evidence the score for this dimension is C.**

### Dimension PI-23.2. Management of Payroll Changes

230. *This dimension assesses the timeliness of changes to personnel and payroll data at the time of assessment.* Following the MoF's Circular 161/2012/TT-BTC dated October 02, 2012, and Circular 39/2016/TT-BTC dated March 01, 2016, for all payments made to individuals, the spending agency must send to Treasury the following documents: (i) a staff list approved by the competent authority; (ii) the payroll list signed off by the department head or DoHA; and (iii) the internal financial management regime (similar to the financial operation manual) for PSDUs.
231. The payroll list (with detailed information on individual payroll records) and staff list is checked and updated every six months in January and July at provincial level and reconciled every month at spending unit level as described above. In-month changes are updated monthly to provide timely information for the following month's salary payment.
232. Retroactive adjustments are rare, only in the case of an early pay increase due to outstanding performance. Circular No. 08/2013/TT-BNV stipulated that review for early pay increase is made only once every year. The final list of employees eligible for early pay increase must be finalized prior to March 31 of the following year. The number of early pay increases in an agency cannot exceed 10 percent of its total staff number. In 2019, CCT's total payroll was VND 337,348 million while total retroactive payments for outstanding performers was VND 6,766 million, accounting for 2 percent of the city's 2019 salary payment.

**Based on the analysis and supporting evidence the score for this dimension is A.**

### Dimension PI-23.3. Internal Control of Payroll

233. *This dimension assesses the controls that are applied to the making of changes to personnel and payroll data at the time of assessment.* At provincial level, the personnel record is managed by the DoHA, while payroll

is managed by the DoF. Once the staff appropriation plan prepared by the DoHA is approved by the City People's Council, the City People's Committee issues decisions to assign staff quota to all line departments and centrally managed PSDUs. The DoF is responsible for allocating a payroll to each line department, which is precisely aligned with the City People's Committee's staffing decision.

234. At spending unit level, the agency head is responsible for the preciseness of information provided in the agency's payroll list sent to the Treasury. Within the agency, any change in personnel records (such as new recruitment, promotion, appointment, and retirement) must be made by an official decision of the relevant authority and be archived in personal records kept by the agency's personnel and organization division. That decision serves as legal basis for any resulting adjustment in payroll and payroll finance. A copy of that decision is sent to the finance and/or accounting division to make the corresponding adjustment in payroll data and prepare an adjusted payroll finance list. The number of staff presented in the payroll finance list is signed off by the DoHA before being submitted to the Treasury.
235. As described above, the full set submitted to the DoHA for signing-off includes (i) the sealed payroll finance list, with full information of the agency head's name, signature, signing date; (ii) a list of changes to the personnel record; and (iii) all decisions made by a competent authority to serve as evidence for changes in the personnel record.
236. In short, changes to the personnel records in any spending agency are decided by the competent authority. The payroll finance list is only adjusted based on this decision. The agency head is personally responsible for the preciseness and eligibility of all changes in personnel and payroll records. The DoHA is the last resort for verifying personnel information attached to any payroll finance list.

**Based on the analysis and supporting evidence the score for this dimension is A.**

### **Dimension PI-23.4 Payroll Audit**

237. *This dimension assesses the degree of integrity of the payroll covering 2017, 2018, and 2019.* In 2013-2014, there was payroll audit of the assigned staff quota, the actual number of staff, and the relevant legislation governing payroll payment. Some errors were identified, such as spending exceeding accepted spending norms and a failure to downsize their staff number by 10 percent every year as required by the Central Committee's Resolution 19 on improvement of PSDUs' performance and efficiency.<sup>33</sup>
238. Since 2015, a block-grant mechanism has been applied to all administrative and partially self-financing PSDUs. The agency head has full responsibility to manage their assigned staff quota and payroll. State audit conducts sector-specific comprehensive audit and thematic audit every year with selected PSDUs. However, there was no payroll audit in the last three years. The People's Inspectorate – driven by its mandate – did not carry out any payroll audit.

**Based on the analysis and supporting evidence the score for this dimension is D.**

### **PI-24. Procurement**

239. **The PI-24 indicator examines key aspects of procurement management. It assesses the transparency of arrangements, with an emphasis on open and competitive procedures, monitoring of procurement**

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<sup>33</sup> Resolution 19-NQ/TW of October 25, 2017, the 6th meeting of the 12th Central Committee on Continuing to Renovate Organizational and Management Structure, Enhance Quality and Efficiency of Public Service Provider.

**results, and access to appeal and redress arrangements.** The time period examined is the last completed FY, and the assessment covers budgetary units and extrabudgetary units.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-24. Procurement (M2)</b>	<b>B+</b>	
<b>24.1. Procurement monitoring</b>	A	Databases or records are maintained for all contracts including data on what has been procured, value of procurement, and who was awarded contracts. Procurement plans are published on the e-procurement website <sup>34</sup> and compare well to factual plans. Data related to contracts procured via VNEPS <sup>35</sup> are saved and accessible in the e-archive of <a href="http://muasamcong.mpi.gov.vn/">http://muasamcong.mpi.gov.vn/</a> . All other contracts are paper-based and are filed, which makes it difficult to retrieve the data for monitoring.
<b>24.2. Procurement methods</b>	A	All agencies follow an open competitive method by default as per the law. However, single source contracting (non-competitive method) represents 12% of the total value of all public contracts concluded in 2019 according to a CCT People's Committee report. The non-competitive method is often used when values are below the thresholds specified by the Public Procurement Law (PPL).
<b>24.3. Public access to procurement information</b>	B	The e-procurement website makes the following available in a timely manner: legal framework for procurement, procurement plan for 2020, realization of procurement operation for 2019, bidding opportunities, and contract awards. Procuring entities have full access to information. The public, however, can only access information on packages procured via VNEPS.
<b>24.4. Procurement complaints management</b>	B	The procurement complaints system meets 3 out of 6 criteria. No complaint was received by the Complaint Resolution Committee (CRC) in 2019.

240. The overall effectiveness of the public procurement system in Vietnam, including in CCT, has been improving over the last few years. There has been progress especially regarding the legal, regulatory, and institutional framework, as well as the development and functioning of VNEPS. The PPL applies to all public procurement financed by the government budget. In accordance with Circular No.07/2015-TT-BKHDT dated September 8, 2015, a roadmap for application of e-procurement should be 40 percent of competitive shopping and 30 percent of low value competitive bidding and limited bidding packages from the year of 2018.

### Dimension PI-24.1 Procurement Monitoring

241. *This dimension assesses the extent to which prudent monitoring and reporting systems are in place within government to ensure value for money and promote fiduciary integrity.* CCT level projects are delegated to employers/PMUs, departments, and districts for preparation of project proposals and procurement plans, while the city retains the investment owner function and makes investment decisions following the public investment and procurement legal framework.

242. The DPI manage<sup>36</sup> the procurement of investment projects according to government procurement regulations and consolidates procurement-related information from employers (PMUs/departments/districts) into a report sent to the People's Committee, for the latter to submit to the MPI on a yearly basis.<sup>37</sup> Databases or records for contracts (including data on what has been procured, value of procurement,

34 Website: [Muasamcong.mpi.gov.vn](http://muasamcong.mpi.gov.vn)

35 Circular No.07/2015-TT-BKHDT dated September 8, 2015

36 Decision 15/2016/QD-UBND dated May 24, 2016, of the CCT People's Committee

37 In accordance with Circular 06/2017-TT-BKHDT dated December 5, 2017.

who has been awarded contracts) are maintained/archived on the MPI VNEPS by respective employers/PMUs. The DoF has details of procurement of recurrent expenditure and is responsible for asset and goods procurement and maintains comprehensive records of what has been procured which is also shared with DPI for consolidation/monitoring.

243. The DoH, DoET, and districts are responsible for centralized procurement of goods which are necessary for their activities such as: computers, laptops, air conditioning, educational equipment, health equipment and facilities, etc.<sup>38</sup> The DoH is responsible for the procurement of “regular” medicines while procurement of 59 kinds of “special” medicines (including anesthetic and antiviral medicines) is centralized and led by the MoH, effective from July 2016.<sup>39</sup> Previously, DoH led procurement of all medicines and maintained records but did not report to the DPI. Databases/records with details of procurement processes are publicly accessible on the website<sup>40</sup> for the required percentage number of packages procured via VNEPS, as regulated by Circular No.07/2015/TT-BKHDT. Data on the remainder are paper based and are archived at procuring entities.
244. Records of procurement are publicly available in the e-procurement portal and in the weekly procurement bulletin of MPI. This includes the nature of the procurement, data on what was procured, the volume and value of contracts awarded, timing of the process of procurement, the procurement method used, and identification of contract awardees for all procurement methods for goods, works, and services.
245. All procurement entities are provided user access to VNEPS and are encouraged (Article 84 of Decree No.63/ND-CP dated June 26, 2014) to provide information on the plans and procurement stages (expression of interest to bid, proposal evaluation, and contract award). All such information is available on the website of <http://muasamcong.mpi.gov.vn/>. In accordance with Circular No.07/2015-TT-BKHDT dated September 8, 2015, a roadmap for application of e-procurement should be 40 percent of competitive shopping and 30 percent of low value competitive bidding and limited bidding packages from 2018. In addition, all entities are required to publish their bid announcement of all kinds of procurement, even paper-based, on the e-procurement website and their own websites. The contract awards are available on the e-procurement website. Databases or records for contracts (including data on what has been procured, value of procurement, and who has been awarded contracts) are maintained/archived on VNEPS of MPI by respective employers/PMUs. In 2019, there were 1,071 packages (793 and packages are under budgetary and extra-budgetary respectively) have been procured (procurement plans, procurement notice, contract award information is published on VNEPS), in which there were 106 packages were fully procured via VNEPS (procurement plans, procurement notice, bidding documents, bid evaluation reports, contract award information are published/recorded on VNEPS). Databases for all 1,071 awarded contracts are recorded correctly and fully by both VNEPS and paper-based basis.

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38 Decision 2287/QD-UBND dated September 5, 2018, and Decision 593/QD-UBND dated March 20, 2020.

39 Circular No 09/2016/TT-BYT dated May 5, 2016

40 Website [muasamcong.mpi.gov.vn](http://muasamcong.mpi.gov.vn)

Table 24.1. Total number of awarded contracts by CCT in 2019

No.	Procurement method	Total number of packages	
		Budgetary	Extra budgetary
1	Open procedure	159	6
2	Limited competitive	0	0
3	Direct contracting	562	198
4	Competitive Shopping	72	73
5	Direct procurement of good	0	0
6	Specialized procurement procedure	0	0
7	Force account	0	1
8	Community driven development	0	0
	Using VNEPS for whole procurement processes	106	6
	<b>Total</b>	<b>793</b>	<b>278</b>

246. The data is saved and accessible in the e-archive of <http://muasamcong.mpi.gov.vn/> for all of the required percentage number of packages which are procured using VNEPS as regulated by Circular No.07/2015/TT-BKHDT, the remaining paper-based data are archived manually at procuring entities. There is no information on contract monitoring as this function rests with contracting authorities.

#### Evidence

Circular No.07/2015/TT-BKHDT dated February 19, 2015.

Circular No 09/2016/TT-BYT dated May 5, 2016.

Decision 15/2016/QD-UBND dated May 24, 2016, of CCT People's Committee.

CCT People's Committee, Report on procurement implementation for the year 2019 dated February 19, 2020.

Audit report of SAV 2019.

**Based on the analysis and supporting evidence the score for this dimension is A.**

### Dimension PI-24.2 Procurement Methods

247. This dimension assesses the procurement methods used by the subnational government and analyzes the percentage of the total value of subnational contracts awarded with and without competition. The PPL contemplates the use of the following procurement methods:

- Open procedure.
- Limited competitive procedure.
- Direct contracting.
- Shopping.

- Direct procurement of goods.
- Specialized procurement procedure.
- Force account; and
- Community driven development.

248. The PPL affirms open procedures as the preferred method of procurement. It defines those situations in which other methods can be used, which are conditional either with reference to the financial threshold values, or to the nature/object being procured. The use of each procurement method is left to the discretion of the contracting authority in accordance with the conditions set forth in the PPL. The PPL also provides for different procurement procedures depending on the value of the contract. Above high value thresholds, open competition is mandatory; between high and low value thresholds, competition is required through the invitation of at least three economic operators. The most recent revised thresholds as of June 26, 2014, are the following:

(a) Direct contracting thresholds:

- VND 1 billion (approx. USD 43.5 thousand) for civil works, goods, mixed, medicine, public products.
- VND 500 million (approx. USD 21.74 thousand) for consulting services.
- VND 100 million (approx. USD 4.35 thousand) for packages funded by recurrent budget.

(b) Shopping threshold: Less than VND 5 billion.

249. CCT reported that in 2019, investment procurement used only open procedure, direct contracting, and shopping methods and recurrent expenditure procurement used only open procedure, direct contracting, shopping, and force account.<sup>41</sup>

250. The total value of contracts awarded through competitive methods, i.e. defined as open, limited bidding, and competitive shopping, in 2019 represented about 87.70 percent of the total value of contracts, while direct contracting accounted for 12.30 percent. The non-competitive method is often used for packages with values below the thresholds specified by the PPL.

Table PI.24.2: Procurement Methods and Corresponding Value

Unit: Million VND

Total value of procurement (1)	Total value of contracts procured through non-competitive method (2)	Total value of contracts procured through competitive method (3)	Percentage of competitive method by value (3)/(1)
1,941.18	238.77	1,702.41	87.70%

### Evidence

CCT People's Committee. Report on procurement implementation for the year 2019, dated February 19, 2020.

Audit report 2019.

**Based on the analysis and supporting evidence the score for this dimension is A.**

<sup>41</sup> Report 36/BC-UBND dated February 19, 2020.



### Dimension PI-24.3. Public Access to Procurement Information

251. The dimension reviews the level of public access to complete, reliable, and timely procurement information at the subnational level. It covers only procurement managed by the SNG. Public access to procurement information is facilitated through the e-procurement website <http://muasamcong.mpi.gov.vn/>. The information provided is comprehensive, including the legal and regulatory framework for procurement, the annual procurement plans, bidding opportunities, sample procurement documents, debarred firms, contract awards (purpose, awarded contractor, and value), training on procurement, list of trainers etc. VNEPS is designed to ensure the transparency and integrity of procedures. VNEPS allows examination of procurement plans. The system enables electronic processing of public procurement including e-noticing, e-tender documentation, e-submission and, to a certain extent, e-evaluation. According to the PPL, all PMUs who wish to use VNEPS are obliged to register with the system. The system is fully operational. The public procurement administration daily bulletin includes all PMUs' announcements of finalization of the tender process, declaration of winners, and contracts signed. However, as discussed in above, there is a roadmap for the use of VNEPS which is allowable in the regulations, therefore not all procurement transactions are procured via VNEPS, although information of legal and regulatory framework, procurement plans, contract awards, bidding opportunities and annual procurement statistic are mandatorily recorded in VNEPS. It is expected that from 2025 all procurement transactions will be procured and available in VNEPS.<sup>42</sup>
252. Complaints and all relevant documentation are submitted and kept in hard copy rather than electronically (e.g. in a database or electronic procurement system). Complaints on e-procurement processes are submitted via VNEPS, enabling complainants to be better informed as to the consistency and fairness of the process.
253. All packages procured via VNEPS have 5/6 key procurement information made available to public as in Table 24.3 as below. Among the packages which are not procured via VNEPS, only direct contracting packages are not sufficiently published, the competitive biddings have key information published in newspapers. Aggregately, 87.7% total value of contract have 5/6 key procurement information made available to the public.

Table PI.24.3: Public Access to Procurement Information

Type of procurement information	Findings	Public access
Legal and regulatory framework for procurement	All legal acts and standard bidding documents are available on the e-procurement website.	Y
Government procurement plans	All procurement plans are published on the e-procurement website.	Y
Bidding opportunities	All bidding opportunities (including small value contracts) are published on the e-procurement website.	Y
Contract award (purpose, contractor, value)	All contract awards (including direct contracting) are published on the e-procurement website.	Y
Data on resolution of procurement complaints	No detailed information on resolution of procurement complaints is available. Only general information is included in DPI's annual report.	N
Annual procurement statistics	Annual procurement statistics are made available in the People's Committee annual report, sent to MPI for consolidation/monitoring.	Y

42 Circular No.11/2019/TT-BKHDT dated December 16, 2019

## Evidence

CCT People's Committee, Report on Procurement Implementation for the year 2019, dated February 19, 2020.

Circular No.11/2019/TT-BKHDT dated December 16, 2019.

**Based on the analysis and supporting evidence the score for this dimension is B.**

### Dimension PI-24.4. Procurement Complaints Management

254. *The dimension assesses the existence and effectiveness of an independent, administrative complaint-resolution mechanism for subnational procurement.* The City People's Committee is the highest administrative body in charge of review of public procurement complaints in consultation with the CRC, chaired by DPI's representative. The main responsibility of the CRC is to examine complaints pertaining to public procurement procedures. It is guaranteed by the law that CRC members cannot be involved in procurement operations and awards and do not have a relationship with complainants. Complaints and resolutions are not published.

255. The PPL gives the right to complain to every person who participates in a procurement activity. Complaints must be signed by a legal representative of the bidder and such complainants shall not sue in a court. No anonymous complaint is considered.

256. Complaints against the decisions of the PMU should first be addressed to the PMU being challenged, within seven days following the date the complainant knew or should have known of the PMU decision. Upon receipt of the complaint, the PMU suspends the procurement process until the complaint has been reviewed and issues a decision within seven days from receipt of the complaint. If the PMU (i) does not reply to the complainant within seven days from receipt of the complaint, or (ii) if the PMU responds and dismisses the complaint as ungrounded, the complainant can file a complaint with the City People's Committee within five days by paying a fee equal to 0.02 percent of the value of the allocated budget to the contract or not less than VND 1 million and not greater than VND 50 million. Such fee will not be returned even if the complaint succeeds. The process issues binding decisions for each party without precluding access to an external higher authority.

No complaints were received by the CRC/ City People's Committee in 2019.

Table PI.24.3. Procurement Complaints Management

Criteria for the reviewing body	Findings	Met
Not involved in any capacity in procurement transactions or in the process leading to contract award decisions.	Complaints are reviewed by a body which is not involved in procurement transactions or in the process leading to contract award decisions.	Y
Does not charge fees that prohibit access by concerned parties.	The complaint body charges fees that prohibit access by concerned parties.	N
Follows processes for submission and resolution of complaints that are clearly defined and publicly available.	Follows processes for submission and resolutions of complaints that are clearly defined and publicly available.	Y
Exercises the authority to suspend the procurement process.	The complaint body exercises the authority to suspend the procurement process.	Y

Criteria for the reviewing body	Findings	Met
Issues decisions within the timeframe specified in the rules/regulations.	No detailed information on resolution of procurement complaint. General information only included in DPI's annual report.	N
Issues binding decisions for each party (without precluding access to an external higher authority).	The complaint body issues decisions that are binding on every party.	Y

## Evidence

CCT People's Committee, Report on Procurement Implementation for the year 2019, dated February 19, 2020.

**Based on the analysis and supporting evidence the score for this dimension is B.**

## PI-25. Internal Controls on Non-Salary Expenditure

257. **The PI-25 indicator measures the effectiveness of general internal controls for non-salary expenditure. Specific expenditure controls on public service salaries are considered in PI-23.** The present indicator contains three dimensions and uses the M2 (AV) method for aggregating dimension scores.<sup>43</sup> It covers SNG at the time of the assessment.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-25. Internal controls on non-salary expenditure (M2)</b>	A	
<b>25.1. Segregation of duties</b>	B	Segregation of duties is required throughout the entire spending process between authorization, recording, and audit, but not for custody of assets.
<b>25.2. Effectiveness of expenditure commitment controls</b>	A	Expenditure can only be made after estimates have been approved by the competent authority. Expenditure commitment control must be made and strictly managed by State Treasury for any recurrent spending item valued from VND 200 million or capital from VND 1 billion.
<b>25.3. Compliance with payment rules and procedures</b>	A	Payment procedure via the Treasury system has been set up. Exceptional cases are also clearly defined. All payments are controlled by the Treasury system in full compliance with existing regulations. Periodical audit is made to scrutinize compliance.

### Dimension PI-25.1. Segregation of Duties

258. *Dimension 25.1 assesses the existence of the segregation of duties, which is a fundamental element of internal control to prevent an employee or group of employees from being in a position both to perpetrate and to conceal errors or fraud in the normal course of their duties.* The Law on Auditing and Accounting 2015 established the duties relating to and within the expenditure process. Each spending unit, regardless of whether it is an SNG unit or EBU, is obliged to set up an accounting system and associated personnel including a chief accountant or person in charge of accounting. The chief accountant must not be the head of the unit. Invoices must be signed by the chief accountant and the head of the unit to be eligible for payment. In addition, the law also stipulates that the cashier must not be the chief accountant. The reconciliation is done internally between the accountant and the cashier and is then submitted to the chief accountant for approval.

<sup>43</sup> See Annex 1 for an explanation of the scoring of the performance indicators.

259. There is no clear segregation of custody of assets. Article 4.43 of the PPL defines an expert team as a group of individuals with capability and experience set up by the bid solicitor or the bid consultancy unit in order to assess dossiers of expression of interest, dossiers of pre-qualification participation, bidding dossiers, and dossier of proposals, and to perform other tasks during selection of contractors and investors. In fact, the expert team is responsible for evaluating bids and the law does not prohibit the person in charge of preparing procurement tenders from being involved in the expert team. The bid evaluation result submitted by the expert team is, however, subject to verification by an independent review team which cannot include anyone involved in preparation of the tender or the expert team for the same procurement tender.
260. The audit function is segregated from other key managerial position in the agency. Article 19 of the Law on Independent Audit 2011 specifies that audit may not be performed by: (i) a member or a shareholder of the audited unit; (ii) a manager, executive, or member of the control committee, or a chief accountant of the audited unit; (iii) anyone who held these posts in the audited unit in audited FYs; (iv) a person within two years of resigning from those posts in the audited unit; (v) a person who acted as book keeper, financial report formulator, or internal auditor in the audited unit in the preceding year; (vi) a person performing services which may violate the auditor's code of conduct; and (vii) a person whose relatives have significant direct or indirect financial interests, or hold any of the aforementioned posts, in the audited unit.

**Based on the analysis and supporting evidence the score for this dimension is B.**

### **Dimension PI-25.2. Effectiveness of Expenditure Commitment Controls**

261. *Dimension 25.2 assesses the effectiveness of expenditure commitment controls.* Expenditure commitment controls have been implemented since June 2013, through the TABMIS (expenditure control). Expenditure commitment control is stipulated in Circular No. 113/2008/TT-BTC and Circular No. 40/2016/TT-BTC, dated March 01, 2016, on Revision of Some Articles and Supplement to Circular 113. Since 2013, all control procedures have been made in TABMIS. Expenditure commitment control is applied only for a large expenditure item, such as a recurrent expenditure item with value of VND 200 million or more, or a capital expenditure item with value of VND 1 billion or more. For those items, commitment control procedure must be started within 10 days of a committed contract coming into effect.
262. This practice has been complied with over the past seven years. Spending units strictly follow a stipulated process that has procedures supported by all the required documents. If a spending unit fails to comply with the expenditure commitment requirements within 10 days of a commitment contract coming into effect, it will be fined. As stipulated in Decree 63/2019/ND-CP dated July 11, 2019, the Treasury is authorized to make that fine. In principle, when an estimate of recurrent expenditure or a funding plan for capital expenditure is made, accompanied by the required legitimate documents, a payment commitment must be made. Once the approved budget plan is sent by a spending unit to the Treasury, it will be entered into TABMIS. The Treasury controls the spending commitment and guarantees to reserve sufficient cash to meet the unit's payment needs in the budget year (for recurrent expenditure) or for a medium-term period (with capital expenditure).
263. For budget control, Article 8.4 of State Budget Law 2015 stipulates that budget expenditure may only be realized after the budget estimate is approved by a competent authority; the norms and expenditure limits imposed by competent authorities must be complied with. State budgets at various levels and agencies cannot spend if funding sources are not verified. This provision aims to avoid the accumulation of arrears. Therefore, "under threshold" expenditure items are still limited within annual budget appropriation, even though they are not subject to expenditure commitment control procedures with State Treasury.

264. In 2019, there were 1,994 cases of rejected payment requests because they exceeded expenditure commitments. Of these cases, 1,668 cases received a warning from the Treasury and 350 cases were fined. Treasury use warnings intensively to increase the compliance awareness of spending units.
265. In short, expenditure control regulations as stipulated in the State Budget Law and other legal documents have effectively limited commitments in relation to annual budget appropriation and follow expenditure commitment control procedures.

**Based on the analysis and supporting evidence the score for this dimension is A.**

### **Dimension PI-25.3. Compliance with Payment Rules and Procedures**

266. *Dimension 25.3 assesses the extent of compliance with the payment control rules and procedures based on available evidence.* Prior to processing of a payment for a spending unit, the State Treasury is responsible for screening and checking the legality and validity of dossiers and invoices to ensure compliance of the spending request with designated estimates, relevant spending regulations, and standards and norms. The headquarter office of the State Treasury publicly posts the administrative processes and procedures and the list of documents required for each dossier. With regard to payment for a capital expense and a purchase subject to be tendered, bidding and price appraisal documents must be shown. Failure to comply with those requirements will cause a rejection of reimbursement by the Treasury via a written notice in which reasons for refusal are clearly presented.
267. All payments are made under an expenditure control procedure which complies with the aforementioned regulations. Compliance with payment rules and procedures were audited annually by SAV-5 in all three years 2017, 2018, and 2019. The 2019 audit mission selected DARD, DoNRE, Department of Construction, Department of Transport, and some extra budgetary units and public corporations for audit using a risk-based approach. In its findings report, SAV-5 recommended the recoup of VND 77,129 million of non-compliant expenditure, of which VND 272 million was from line departments' recurrent expenditure and VND 30,016 million from investment owners and PMUs.<sup>44</sup> The report provided concrete recommendations to each SNG agency including the supervising agency (Provincial People's Committee), audited agencies at aggregate level (DoF, Tax Department, Treasury office) and audited agencies at detail level (four line-departments and others as described above). The finding report was sent to the City Council, among others, to oversee its implementation. Follow-up activities have been undertaken via periodic reminder letters to the Provincial People's Committee to report progress of corrective actions. For example, on May 19, 2021, CCT Provincial People's Committee sent responding letter No. 1780 of October 8, 2020 on the recommendations made in the SAV-5 audit findings 2019 report and giving an update on corrective actions being undertaken and issues still pending.
268. Given total SNG expenditure was VND 14,115,254 million as verified by SAV-5, the fact that non-compliant expenditure accounted for about 5 percent (VND 77,129 million relative to VND 14,115,254 million) of total expenditure implies compliance of all payments with regular payment procedures. The non-compliances identified by SAV then had to be recovered and deposited back to State Treasury account.

**Based on the analysis and supporting evidence the score for this dimension is A.**

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44 Source: SAV, Regional Office 5 (2019), *Audit Report on the 2019 SNG Budget of Can Tho City*, October 28, 2020.

## PI-26. Internal Audit

269. **The PI-26 indicator assesses the standards and procedures applied in internal audit.** It contains four dimensions and uses the M1 (WL) method for aggregating dimension scores and covers the SNG.<sup>45</sup>

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-26. Internal audit (M1)</b>	<b>D</b>	<b>Internal audit function is not yet launched in CCT</b>
<b>26.1. Coverage of internal audit</b>	D	No internal audit has been performed. The function is not yet legally set up.
<b>26.2. Nature of audits and standards applied</b>	N/A	No internal audit has been performed.
<b>26.3. Implementation of internal audits and reporting</b>	N/A	No internal audit has been performed.
<b>26.4. Response to internal audits</b>	N/A	No internal audit has been performed.

### Dimension PI-26.1 Coverage of Internal Audit

270. Dimension 26.1 assesses the extent to which government entities are subject to internal audit at the time of assessment.

#### Legal framework

271. The Law on Accounting No. 88/2015/QH13 issued on November 20, 2015 and effective from January 01, 2017, defines that internal audit encompasses the examination, evaluation, and monitoring of the completeness, appropriateness, and effectiveness of internal controls. The Law also stipulates that the government must issue detailed guidance on internal audit in enterprises, government agencies, and public service agencies.

272. On January 22, 2019, the government issued Decree 05/2019/ND-CP on Internal Audit. Besides the central ministries, the Decree also requires Provincial People's Committees, their directly controlled line departments and related PSDUs, and all other PSDUs employing more than 200 people or having annual payroll of more than VND 20 billion to establish an internal audit function. The Decree gave the agencies 24 months from April 1, 2019, to operationalize the internal audit function.

273. To facilitate the process of introducing internal audit in the public sector, the MoF issued Circular 67/2020/TT-BTC on Standard Internal Audit Manual for Public Administrative Agencies and PSDUs on July 10, 2020.

274. Current practice

275. The internal audit function has not yet launched in CCT. On August 23, 2020, the DoF sent an official letter to line departments and PSDUs reminding them of Decree 05 and Circular 67. The CCT Provincial People's Committee and provincial agencies have not yet decided on the organizational structure, responsibilities, or reporting lines of the function. The current provincial/sectoral/civil inspectorates only perform compliance checks, which is not comparable to internal audit.

**Based on the analysis and supporting evidence the score for this dimension is D.**

<sup>45</sup> See Annex 1 for an explanation of the scoring of the performance indicators.

## Dimension PI-26.2. Nature of Audits and Standards Applied

276. *Dimension 26.2 assesses the nature of audits performed and the extent of adherence to professional standards at the time of assessment.* MoF's Circular 67/2020/TT-BTC on Standard Internal Audit Manual for Public Administrative Agencies and PSDUs, and State Bank's Circular 06/2020/TT-NHNN on Internal Inspection and Internal Audit in the State Bank both set the objectives of internal audit in the public sector as assessment of the appropriateness, effectiveness, and efficiency of the internal controls. The Circulars provide guidance on risk-based audits, ethics, principles, and the organization and enforcement of audits.

277. Audits in accordance with those Circulars will be conducted from 2021 onward. No internal audit had yet taken place in CCT.

**Based on the analysis and supporting evidence the score for this dimension is N/A.**

## Dimension PI-26.3 Implementation of Internal Audits and Reporting

278. *Dimension 26.3 assesses specific evidence of an effective internal audit (or systems monitoring) function as shown by the preparation of annual audit programs and their actual implementation including the availability of internal audit reports in 2019.* No internal audit has yet been performed in CCT.

**Based on the analysis and supporting evidence the score for this dimension is N/A.**

## Dimension PI-26.4 Response to Internal Audits

279. *Dimension 26.4 assesses the extent to which action is taken by management on internal audit findings from audits reports issued in 2017, 2018, and 2019.* No internal audit has yet been performed in CCT.

**Based on the analysis and supporting evidence the score for this dimension is N/A.**

## PILLAR 6: Accounting and Reporting

This pillar measures whether accurate and reliable records are maintained, and if information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.

### PI-27. Financial Data Integrity

280. **PI-27 assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data.** It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores and covers budgetary central government.<sup>46</sup>

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-27. Financial data integrity (M2)</b>	<b>B+</b>	
<b>27.1. Bank account reconciliation</b>	A	Effective daily reconciliation. All CCT Treasury accounts transfer balances to the National Single Treasury Account at the end of the day.
<b>27.2. Suspense accounts</b>	A	Accounting suspense accounts are cleared within 3 working days and have zero balance at year end. "Account waiting for decisions" of authorities are reconciled monthly and cleared immediately when the decision is made.
<b>27.3. Advance accounts</b>	B	Reconciliation of advance accounts is performed quarterly within one month from the end of each quarter. Advances to staff are cleared within a month. Advances to contractors are cleared upon work in progress.
<b>27.4. Financial data integrity processes</b>	B	Access to data is restricted to authorized persons. Historical data change is not permitted. Data correction is made in the form of new accounting entries and has an audit trail. The role of verifying financial data integrity is embedded in each recording and reporting entity instead of being independent.

#### Dimension PI-27.1 Bank Account Reconciliation

281. *Dimension 27.1 assesses the regularity of bank reconciliation at the time of assessment covering 2019.* The CCT State Treasury maintains accounts at commercial banks in accordance with Circular 58/2019/TT-BTC issued by the MoF on August 30, 2019. While the Central State Treasury opens accounts at the State Bank of Vietnam, the Circular allows provincial Treasuries to open accounts at commercial banks who have a bilateral payment arrangement with the State Treasury system: one account in VND for local payments; one account in foreign currency for international payments; and various accounts in VND for revenue collection deposited in other commercial banks. The banks holding revenue accounts must be different from the bank maintaining the Treasury payment account.

282. Circular 58 also requires that after being reconciled with related commercial banks at the cut off time of the day, all Treasury bank accounts' balances are remitted to the Central Treasury Consolidated Account opened at the State Bank's Transaction Office.

283. Reconciliation procedures are conducted in accordance with Decision 699 QD/KBNN issued on July 25, 2013. All State Treasury agencies, from central to sub-national and districts, are required to reconcile the balances and transactions of the Treasury accounts with the commercial banks where the accounts are

<sup>46</sup> See Annex 1 for an explanation of the scoring of the performance indicators.



opened on a daily basis. The balances that are to be reconciled are bank balances as at the “cut-off” time. All transactions between the cut off times of the previous and the current days are to be reconciled. Any identified variances or errors are resolved among the Treasury and commercial banks and corrective entries are made within the day. Besides the daily reconciliation, State Treasury agencies also perform monthly and yearly reconciliation of bank accounts with the account-holding commercial banks. This control was performed effectively for 2019 and all years before.

**Based on the analysis and supporting evidence the score for this dimension is A.**

### **Dimension PI-27.2. Suspense Accounts**

284. *Dimension 27.2 assesses the extent to which suspense accounts, including sundry deposits/liabilities, are reconciled on a regular basis and cleared in a timely way at the time of assessment covering 2019.* The CCT Treasury maintains accounts 3933 and 3938 to record the expenditure payments or revenue collections without adequate information. The necessary data and information to handle these pending transactions must be collected as soon as possible and the corrective entries must be made within three working days. At the end of the FY, balances of 3933 and 3938 must be zero. The practices in CCT in the assessed year conformed to this requirement.

285. Another type of suspense account maintained by State Treasuries are “amounts waiting for decisions”. These amounts are pending final decisions of tax authorities, customs, court, justice, police, inspectorate, audit, etc. These suspense accounts are reconciled by State Treasury every month and at the end of the year. When the related authorities issue the final decisions on the amounts, the CCT Treasury make clearance entries immediately. The total balance of suspense accounts was not significant at any point of time during 2019 and was zero at the end of the FY.

**Based on the analysis and supporting evidence the score for this dimension is A.**

### **Dimension PI-27.3. Advance Accounts**

286. *Dimension 27.3 assesses the extent to which advance accounts are reconciled and cleared at the time of assessment covering 2019.* Advance accounts managed by the CCT Treasury include advances to staff and advances to contractors. Advances to staff should be cleared within a month. Advances to contractors should be cleared throughout the schedule of payment claims for completed work in progress under the contracts, starting from the first claim and completely cleared when the value of claims for completed works reaches 80 percent of the contract value. The project holder and the contractor agree on the schedule of advances and arrangements for them to be cleared, and these form part of the contract. Advances to contractors should not exceed 50 percent of the contract amount. The controls over advances were recently consolidated in Article 7 of Circular 62/2020/TT-BTC dated June 22, 2020.

287. Reconciliation of advance accounts are performed quarterly and at the end of the year as required by Circular 61/2014/TT-BTC dated May 12, 2014. The reconciliation is done following a specific format contained in the Circular, together with the comparison of budget allocation and actual expenditure, within a month after quarter end.

**Based on the analysis and supporting evidence the score for this dimension is B.**

## Dimension PI-27.4. Financial Data Integrity Processes

288. Dimension 27.4 assesses the extent to which processes support the delivery of financial information and focuses on data integrity defined as accuracy and completeness of data (ISO/IEC, International Standard, 2014) at the time of assessment. Financial data integrity is managed in accordance with Circular 123/2014/TT-BTC dated August 27, 2014, on Guidance for Operation and Exploitation of TABMIS. The Circular provides clearly distinguished roles of the departments under the MoF, State Treasury, budget execution agencies, and sub-national levels in producing, editing, and submitting the budget and financial data.
289. Access to and rights to edit the financial data are given exclusively to legally authorized users. Unauthorized users are not able to access the system. The IT Center under the MoF is responsible for safeguarding TABMIS security.
290. Historical data change/editing is not allowed. If corrective action is required, new accounting entries have to be made to revert/adjust the original entries. The adjustments therefore are always transparent and recorded. Any adjustment needs the approval of authorized persons, who are the head of responsible divisions and the chief accountant of the CCT Treasury.
291. The role of verification of the integrity of financial data before the production of a report to intermediate/end users rests with the Chief Accountant of CCT Treasury who is involved in the adjustment process. There is no independent data integrity verification agency. The Treasury Inspectorate's mandate focuses on compliance with regulations of the payments made rather than checking system data.

**Based on the analysis and supporting evidence the score for this dimension is B.**

## PI-28. In-Year Budget Reports

292. **PI-28 assesses the comprehensiveness, accuracy, and timeliness of information on budget execution.** This indicator contains three dimensions and uses the M1 (WL) method for aggregating dimension scores.<sup>47</sup> It covers the budgetary SNG and 2019.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-28. In-year budget reports (M1)</b>	<b>B+</b>	
<b>28.1. Coverage and comparability of reports</b>	B	The in-year budget reports allow direct comparison to the original budget with partial aggregation. Coverage and classification of data allow direct comparison to the original budget with partial aggregation. Expenditure made from transfers to de-concentrated units within provincial government are included in the reports by administrative units at the aggregate level of each department, sector, locality, and by field of expenditure.
<b>28.2. Timing of in-year budget reports</b>	A	Reports are available monthly in the second week of the subsequent month.
<b>28.3. Accuracy of in-year budget reports</b>	B	Data reliability and preciseness is secure since data is extracted directly from the TABMIS system. However, expenditure is only shown in the payment stage.

<sup>47</sup> See Annex 1 for an explanation of the scoring of the performance indicators.

### Dimension PI-28.1. Coverage and Comparability of Reports

293. *Dimension 28.1 assesses the extent to which information is presented in in-year reports and in a form that is easily comparable to the original budget.* At the request of the City People's Committee, the DoF uses data from the TABMIS system to prepare the in-year budget report. Coverage and classification of data allow direct comparison to the original budget with partial aggregation. Expenditure made from transfers to de-concentrated units within provincial government are included in the reports.

**Based on the analysis and supporting evidence the score for this dimension is B.**

### Dimension PI-28.2. Timing of In-Year Budget Reports

294. *Dimension 28.2 assesses whether this information is submitted in a timely manner and accompanied by an analysis and commentary on budget execution.* At the request of the City People's Committee, every five days, the DoF uses data from the TABMIS system to prepare budget reports for operating purposes. Monthly reports are available within one week of the following month.

**Based on the analysis and supporting evidence the score for this dimension is A.**

### Dimension PI-28.3. Accuracy of In-Year Budget Reports

295. *Dimension 28.3 assesses the accuracy of the information submitted, including whether expenditure for both the commitment and the payment stage is provided.* According to the requirements of Circular 77/2017/TT-BTC dated July 28, 2017, the MoF (and in practice also the DoF) prepares an in-year budget report every month based on data from TABMIS. Therefore, these data are reliable. However, the information about expenditure is shown only at the stage of payment, and not the amount that is committed but not yet paid. Monthly, quarterly, and semi-annual budget execution reports provide detailed comparisons between estimated actual outturns and authorized budgets, the outcomes of key tasks in the month, and recommendations of key tasks in the coming month(s).

**Based on the analysis and supporting evidence the score for this dimension is B.**

## PI-29. Annual Financial Reports

296. **The PI-29 indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards.** This is crucial for accountability and transparency in the PFM system. It contains three dimensions and uses the M1 (WL) method for aggregating dimension scores and covers budgetary central government.<sup>48</sup>

297. State Budget Law 2015 and Decree 25/2017/NĐ-CP started to require "Government Financial Statements". The statements, as detailed in Decree 25, are prepared on an accrual basis, to contain government balance sheet, income statement, cash flow statement, and notes. Information on all types of assets and liabilities is presented in the balance sheet and the accompanying notes. The notes to financial statements disclose information on government guarantees and other contingent liabilities. Decree 25 requires government financial statements to be submitted to the National Assembly within 14 months after FY end. These financial statements are not yet legally required to be audited.

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48 See Annex 1 for an explanation of the scoring of the performance indicators.

298. In parallel, the MoF issued Decision 1299/QĐ-BTC on July 31, 2019, to announce the roadmap of applying IPSAS in Vietnam. According to the Decision, Vietnam will gradually issue 24 public accounting standards in line with IPSAS by 2024 and will consider issuing the remaining IPSAS equivalent standards after that. The government financial statements, as well as annual financial statements of government agencies and PSDUs, will be prepared in accordance with those public sector accounting standards upon their effectiveness.
299. The annual financial reports prepared by CCT to report on the accountability and transparency of the PFM system at the time of this assessment include the budget execution report and the city-wide government financial statements. The budget execution report is audited by SAV-5 and submitted to the People's Council for Oversight. Annual budget execution reports are also made available to the public.<sup>49</sup> The city-wide government financial statements, prepared annually by the City State Treasury since 2018 to present the city assets, liabilities, revenue, and expenditure, are not yet audited or published. The statements are submitted by the State Treasury to the Provincial People's Committee and People's Council for management information and oversight.
300. The data to be assessed in this indicator, hence, includes both CCT's government budget execution report and financial statements. For dimension 29.2, only the submission of budget execution report to SAV is assessed, as the City financial statements are not yet required to be audited by the Law.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-29. Annual financial reports (M1)</b>	<b>C+</b>	
<b>29.1. Completeness of annual financial reports</b>	B	Budget execution report is on cash basis and does not contain information on assets, liabilities, and cash balances. Unspent budget carried forward from previous year is recorded as revenue, causing confusion. CCT have prepared accrual accounting financial statements for FYs 2018 and 2019. These financial statements are not audited and not published.
<b>29.2. Submission of reports for external audit</b>	C	City budget execution report is submitted to SAV-5 within 7 months after FY end.
<b>29.3. Accounting standards</b>	B	The national accounting guidelines are used consistently and transparently by CCT (although the guidelines have significant deviations from IPSAS).

### Dimension PI-29.1. Completeness of Annual Financial Reports

301. *Dimension 29.1 assesses the completeness of annual financial reports in terms of their coverage for 2019.*
302. The annual budget execution report contains full information on all types of revenue and expenditure financed by the city government budget, as well as revenue and expenditure of financially autonomous PSDUs. It also presents a comparison of revenue and expenditure outturns with the initial government budget. The report, however, is prepared on a purely cash basis and does not contain information on any assets, liabilities, guarantees, or long-term obligations. Cash/bank balances are not presented. Borrowing cash flow during the year is presented as a revenue item, while debt repayment is presented as expenditure. The government cash account balance is not presented in the report. Revenue and expenditure generated by extra-budgetary units are not consolidated in the budget execution report.

49 <https://thuvienphapluat.vn/van-ban/Tai-chinh-nha-nuoc/Quy-yeu-dinh-3043-QD-UBND-2020-cong-khai-so-lieu-quyet-toan-ngan-sach-dia-phuong-Can-Tho-464451.aspx>

303. If the expenditure outturn for the year is less than initially budgeted, the difference will be “carried over”, and appear on the Budget execution report of the following year under the category of “revenue”.
304. CCT government financial statements were prepared for FYs 2018 and 2019, containing assets, liabilities, revenue and expenditure, and cash flow of the city and its directly controlled agencies and PSDUs. Extra budgetary units are recognized in the financial statements by their legal capital as assets of the city. This treatment is also applied for public corporations. Information on guarantees is not presented in the financial statements.

**Based on the analysis and supporting evidence the score for this dimension is B.**

### **Dimension PI-29.2. Submission of Reports for External Audit**

305. *Dimension 29.2 assesses the timeliness of submission of reconciled year-end financial reports for external audit as a key indicator of the effectiveness of the accounting and financial reporting system covering the last annual financial report submitted for audit.* State Budget Law 2015 requires provincial government agencies to submit budget execution reports to the SAV before October 1 of the following year. CCT normally send their budget execution for audit within seven months after FY end. The budget execution report for 2019 was submitted to the SAV on July 15, 2020. CCT financial statements are not required by law to be submitted for audit.

**Based on the analysis and supporting evidence the score for this dimension is C.**

### **Dimension PI-29.3 Accounting standards**

306. *Dimension 29.3 assesses the extent to which annual financial reports are understandable to the intended users and contribute to accountability and transparency, covering the last three financial reports.* Central government agencies, as well as sub-national levels, prepare the budget execution report in accordance with several guidelines issued by the MoF as Circulars or Decisions. These are consistent with the State Budget Law and the national legal framework. The guidelines are issued publicly and have been used consistently by implementing agencies nationally. They detail accounting entries and format of the report but only require cash basis accounting and are not in accordance with IPSAS.<sup>50</sup>
307. CCT Budget execution reports for FYs 2017, 2018, and 2019 are prepared consistently in accordance with the guidelines, and disclosed and explained to the public.
308. CCT government financial statements for 2018 and 2019 were prepared based on MoF guidelines for accrual accounting in public sector.<sup>51</sup> The guidelines are disclosed and applied consistently. The guidelines are not yet in accordance with IPSAS, but the government plans to gradually issue 24 IPSAS standards from 2021 to 2024 and adopt those standards. During the period of assessment, CCT maintained a budget execution report and city financial statements in parallel.

**Based on the analysis and supporting evidence the score for this dimension is B.**

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50 Major deviations of the local guidelines from cash-basis IPSAS include: presentation of financial statements (cash receipts, cash payments, and cash balances); defining reporting entities; presentation of comparison of budget and actual amounts; disclosures of receivables and payables, accruing revenue and expenses, commitments and contingent liabilities, performance indicators, and achievement of service delivery objectives.

51 Circular 133/2018/TT-BTC dated December 28, 2018 on Preparation of Government Financial Statements and Circular 107/2017/TT-BTC dated October 10, 2017 on Accounts of Public Service Delivery Units

## PILLAR 7: External Scrutiny and Audit

**This pillar assesses whether public finances are independently reviewed and there is external follow-up on the implementation of recommendations for improvement by the executive.**

### PI-30. External Audit

309. This PI-30 indicator examines the characteristics of external audit as applied to the SNG. It has four dimensions and uses M1 (WL) method for aggregating dimension scores.<sup>52</sup>

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-30. External audit (M1)</b>	<b>B++</b>	
<b>30.1. Audit coverage</b>	A	Audit opinion is provided for the budget execution report which comprises all city agencies' revenue and expenditure. The audit report highlights all material issues of compliance, ineligible expenditure, and internal controls.
<b>30.2. Submission of the audit reports to the sub-national council</b>	B	SAV-5 submits audit reports to the CCT People's Council within 4 months.
<b>30.3. External audit follow-up</b>	A	The follow up and enforcement of audit recommendations is provided by State Audit Law and SAV decision. Implementation rate is more than 90% every year.
<b>30.4. Independence of the public audit institution in charge of SNGs</b>	A	The SAV-5 office is independent institutionally, operationally, and financially from CCT, as provided by the Constitution 2013 and State Audit Law 2015.

### Description of the Audit Office

310. The SAV conduct audit of the whole public sector, including of CCT. The legal status of the SAV and the Auditor General was laid down for the first time in the Constitution of Vietnam in 2013. Article 118 of the Constitution stipulates that the SAV is an independent agency set up by the National Assembly and shall abide by the law only. It also specifies the Auditor General as SAV head, who shall be responsible to the National Assembly for the entire operation of the SAV.

311. The SAV is presently performing its operations as prescribed by the regulations of the State Audit Law, which was revised in 2015. According to the Law, the SAV has the functions of providing assessments, confirmations, conclusions, and recommendations with regard to the management and use of public finance and/or public assets.

312. Annual audit of the CCT budget execution report has been conducted by SAV-5. The office is assigned by the SAV headquarters to conduct financial audit, compliance audit, and performance audit of the use of public finance and public asset by SNGs in Mekong region. The SAV headquarters decide the office's mandate, appoint all personnel, and finance all activities. CCT is not involved in the personnel or resources of the SAV regional office.

<sup>52</sup> See Annex 1 for an explanation of the scoring of the performance indicators.

## Dimension PI-30.1 Audit Coverage

313. *Dimension 30.1 assesses key elements of external audit in terms of the scope and coverage of audit, as well as adherence to auditing standards in 2017, 2018, and 2019.*

### Audit coverage

314. The CCT Budget Execution Report is audited by SAV-5 annually. The Budget Execution Report includes all city revenue and expenditure. The SAV expressed audit opinion on the truth and fairness of the report for all three years 2017, 2018, and 2019.

315. Besides audit opinion, a list of detailed findings and recommendations on revenue, expenditure, internal controls, and compliance are provided for each city agency visited. The audit report also provides recommendation on recovery of ineligible expenditure and status of the implementation of previous audits and inspections. Although the Budget Execution Report presents only revenue and expenditure, the audit team covers cash, asset management, liability management, land management and construction in progress during its visit to the auditees.

316. DoF, DPI, Tax Department and State Treasury are always visited in the annual audit. Departments of Service Delivery and other agencies are selected on risk-based approach. SAV-5 performed site visits to three or four service delivery departments over nine in total every year. In 2019, the SAV visited Department of Agriculture, DoNRE, Department of Construction, Department of Transport, some extra budgetary units and public corporations. Audits of the remaining city government's entities are conducted by reconciliation with State Treasury financial reports. Based on SAV assessment, the reliability of internal controls and substantive procedures of State Treasury is high and adequate for the SAV to form audit opinion on all city government entities' revenue and expenditure.

### Audit standards

317. The SAV issued Decision 02/2016/QD-KTNN on July 15, 2016, to publish the complete set of 39 auditing standards. The standards are declared by the SAV to be mostly compliant to the International Standards of Supreme Audit Institutions (ISSAIs) at all levels, including financial audit, compliance audit, and performance audit. The standards contain procedures on issuing audit opinion and audit reports. The SAV has also issued an audit manual and provided training to its auditors. For the audit of state budget execution reports, the SAV issued Decision 02/2018/QD-KTNN to provide additional specific procedures, from audit planning, internal control assessment and risk assessment, audit fieldwork, and audit recommendation enforcement. Besides the audits of the Tax and Customs authorities and the reconciliation and compliance check at other departments of the MoF and MPI, the guidance also relates audit evidence to other audit fieldwork to be conducted at ministry and sub-national level. Audit opinion on truth and fairness of the financial statements is not emphasized explicitly in this guidance.

**Based on the analysis and supporting evidence the score for this dimension is A.**

## Dimension PI-30.2. Submission Of Audit Reports to the Legislature

318. *Dimension 30.2 assesses the timeliness of submission of the audit reports on budget execution to the legislature, or those charged with governance of the audited entity, as a key element in ensuring timely accountability of the executive to the legislature and the public in 2017, 2018, and 2019.* It takes SAV-5 between three to four months to audit the budget execution report and issue the audit report to the CCT Provincial People's Committee.

Table 30.2: Timing of Submission of Audit Reports to Legislature

Fiscal year	Date of DoF submission of budget execution report to SAV	Date of SAV submission of audit report to People's Council	Length of audit period
2017	16 August 2018	5 December 2018	3 months 19 days
2018	28 May 2019	20 September 2019	3 months 23 days
2019	15 July 2020	28 October 2020	3 months 13 days

Data source: DoF and SAV's records

**Based on the analysis and supporting evidence the score for this dimension is B.**

### Dimension PI-30.3 External Audit Follow-Up

319. *Dimension 30.3 assesses the extent to which effective and timely follow-up on external audit recommendations or observations is undertaken by the executive or audited entity in 2017, 2018, and 2019.* State Audit Law 2015 requires audited agencies' adequate and timely implementation of the audit recommendations and improved internal controls to address the weaknesses. The auditees are requested by the Law to report the status of implementation of audit recommendations to the SAV in writing. The SAV issued Decision 07/2016/QD-KTNN on SAV procedures to follow up and inspect the implementation of audit recommendations. The Decision provides for SAV on-site inspection if the auditee: i) does not prepare a report on implementation of audit recommendations; ii) does not provide adequate evidence in the report; or iii) reports low implementation rate. The Decision also provides how each department in the SAV should follow up to ensure the enforcement of audit recommendations.
320. SAV-5 issues a report on the inspection of implementation status of audit recommendations every year. The status report for audit recommendations in 2019 was issued on 24 September 2020. The report includes the detailed status of each 2019 recommendation and summarizes the status of previous years' recommendations back to 2008. As per the report, 100 percent of the amount recommended on revenue is implemented. This percentage for expenditure is 96.71 percent.

**Based on the analysis and supporting evidence the score for this dimension is A.**

### Dimension PI-30.4. Supreme Audit Institution independence

321. *Dimension 30.4 assesses the independence of the supreme audit institution from the executive. Independence is essential for an effective and credible system of financial accountability and should be laid down in the constitution or comparable legal framework at the time of assessment.* The SAV is totally independent of the executive branch. Its independence is provided in the Constitution 2013 and the State Audit Law 2015. The Constitution provides that the SAV is established by the National Assembly, acts independently and only conforms to the laws, and is mandated to audit the management and use of public assets and public finance. The Auditor General is appointed by the National Assembly and reports to the National Assembly and its Standing Committee. The organization, mandate, and power of the SAV is provided in law. It has unrestricted and timely access to records, documentation and information as provided by the law. The operational budget of the SAV is approved by the National Assembly. The MoF's consolidation process does not intervene in the SAV's budget proposal but only aggregates the proposed amounts to the country-wide annual budget.



322. All personnel of SAV-5 are appointed by SAV headquarters and are independent from CCT government. The audit report by SAV-5 is signed by a deputy general director at SAV headquarters. Audit planning is based on SAV risk assessment. CCT is informed of audit visits and scope for the coming year but is not entitled to negotiate the audit plan. Publication of audit results is conducted by the SAV on its own media channel. SAV-5 receives budget from SAV headquarters to conduct the audit, which is independent of the CCT budget.

**Based on the analysis and supporting evidence the score for this dimension is A.**

### PI-31. Legislative Scrutiny of Audit Reports

323. **The PI-31 indicator focuses on legislative scrutiny of the audited financial reports of central government, including institutional units, to the extent that either (a) they are required by law to submit audit reports to the legislature or (b) their parent or controlling unit must answer questions and take action on their behalf.** It has four dimensions and uses the M2 (AV) method for aggregating dimension scores and covers 2017, 2018, and 2019.<sup>53</sup>

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
<b>PI-31. Legislative scrutiny of audit reports (M2)</b>	<b>D</b>	
<b>31.1. Timing of audit report scrutiny</b>	D	People's Council does not issue any report on scrutiny of audit reports.
<b>31.2. Hearings on audit findings</b>	N/A	Hearings are organized at the exit meeting of every individual audit with the participation of People's Council.
<b>31.3. Recommendations on audit by the legislature</b>	N/A	People's Council does not issue any recommendations to Executive based on audit reports.
<b>31.4. Transparency of legislative scrutiny of audit reports</b>	N/A	People's Council does not issue any report on scrutiny of audit reports.

#### Dimension PI-31.1. Timing of Audit Report Scrutiny

324. *Dimension 31.1 assesses the timeliness of the legislature's scrutiny, which is a key factor in the effectiveness of the accountability function.* The Law on Supervisory Activities of the National Assembly and People's Councils 87/2015/QH13 does not require the People's Council to review audit reports. It only requires that the budget execution report is audited before being submitted to the People's Council. Law Sub-national Government Institution 77/2015/QH13 is also silent on the audit report when providing the detailed function of the sub-national People's Council.

325. In CCT, the People's Council, the People's Committee, and SAV-5 have established a joint work mechanism since 2013. The three parties memorandum requires the People's Council to: i) share with the SAV the People's Council's budget and financial review reports; ii) raise with the SAV a special demand on audit when necessary; iii) oversee the implementation of audit recommendations; iv) participate in meetings when invited by the SAV; v) adjust sub-national financial policies in accordance with SAV recommendations; and vi) ensure reasonable time for the approval of the audited budget execution report.

326. The memorandum does not require the CCT People's Council to scrutinize the audit report and the Council has never issued a scrutiny report.

<sup>53</sup> See Annex 1 for an explanation of the scoring of the performance indicators.

**Based on the analysis and supporting evidence the score for this dimension is D.**

### **Dimension PI-31.2. Hearings on Audit Findings**

327. *Dimension 31.2 assesses the extent to which hearings on key findings of the supreme audit institution take place.* The CCT People's Council is invited by the SAV to the audit exit meeting of every audited entity. The meeting is chaired by a deputy auditor general, to present to the audited entity, People's Council, and People's Committee all audit findings and recommendations. The audited entity can provide feedback before the conclusion is made and the audit report is issued.
328. After the audit report is issued, the CCT People's Council does not organize a separate hearing on the audit report at the Council's annual meeting.

**Based on the analysis and supporting evidence the score for this dimension is N/A.**

### **Dimension PI-31.3. Recommendations on Audit by Legislature**

329. *Dimension 31.3 assesses the extent to which the legislature issues recommendations and follows up on their implementation.* The CCT People's Council has not issued recommendations on actions to be implemented by the People's Committee or its executive agencies based on audit reports. The Council relies on SAV enforcement of audit recommendations as described in PI-30.3.

**Based on the analysis and supporting evidence the score for this dimension is N/A.**

### **Dimension PI-31.4 Transparency of Legislative Scrutiny of Audit Reports**

330. Dimension 31.4 assesses the transparency of the scrutiny function in terms of public access. The CCT People's Council has not issued any reports on scrutiny of SAV audit reports.

**Based on the analysis and supporting evidence the score for this dimension is N/A.**





# III

## CONCLUSIONS OF THE ANALYSIS OF PFM SYSTEMS

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## 3.1. Integrated Assessment Across the PIs

### 3.1.1. Intergovernmental Fiscal Relations

331. CCT does not receive a balancing transfer from the central budget, all transfers to the city are earmarked. When shared revenue is included as HLG transfers in accordance with PEFA Sub-national Guidelines, the actual transfers were 78 percent, 84 percent, and 86 percent of the original budget estimate in 2017-2019 (PI-HLG-1, rated 'C'). It is reported that actual earmarked transfers were 100 percent of the original budget estimates in all three years and notified by the MoF in about November of the year preceding each new FY. However, explanation of changes between the budget year and the current year is not presented.

### 3.1.2. Budget Reliability

332. At aggregate level, expenditure outturns in the last three years deviates substantially from the original budgets (PI-1, rated 'D'), which could be attributed to the unpredictability of earmarked grants from the central government and forecasting issues in the SNG's shared revenue. As the majority of SNG revenue is administered by central government agencies, revenue outturn was rated N/A. However, while aggregate revenue projection is reasonable, the variance in revenue composition outturn ranges between 20-36 percent in the last three years. It is noted that almost all shared revenue is largely under-estimated in the original budgets, which could be the result of budget negotiation with the central government, given reportedly strong centralized revenue administration (PI-20, rated 'N/A') and cash management (PI-21, rated 'A'). The lower outturn of shared revenue is mainly compensated by own source revenue, in particular land revenue, which is deemed unsustainable.

333. The large variance in expenditure composition by administrative headings (PI-2.1, rated 'D') is mainly due to significant under-execution of the capital budgets in the last three years, which can also be explained by unpredictability of the earmarked grants and decentralized revenue. The central government is slow in its capital budget allocation. Shared revenue is affected by central government tax policy adjustments, while own-sourced revenue sources (land revenue) are prone to market fluctuations. The fact that economic classification is only presented in budget execution reports but not in the original budget (PI-2.2, rated 'N/A') does not really affect budget reliability, because compensation of employees and use of goods and services are already norms-based for most spending units, whereas special agencies are responsible for interest expenses (DoF), social benefits (Department of Labor, Invalids, and Social Affairs), and expenditure of other economic type (DoF, PMUs...). Expenditure from contingency reserves is orderly managed (PI-2.3, rated 'A'). There are no concerns around expenditure arrears (PI-22, rated 'A').

### 3.1.3. Transparency of Public Finances

334. The information provided in the annual budget documentation contains two basic elements and three additional elements out of 12 elements. The high-level budget templates<sup>54</sup> are not classified by detailed economic types (PI-5, rated 'D'). For that reason, the budget classification applicable for the period<sup>55</sup> is rated 'D'. It is noted, however, that the budget classification system is consistent with the Government Finance Statistics Manual (GFSM) 2014 standard, and its functional classification is well mapped to the Organisation for Economic Co-operation and Development's classification of the functions of government standard.

54 Decree No. 31/2017/ND-CP, dated March 23, 2017.

55 MoF Circular No. 324/2016/TT-BTC, dated December 21, 2016.

335. Timeliness is identified as a weakness in public access to fiscal information (PI-9, rated 'D'). Although the government requires public disclosure of most basic information, the procedures for review and approval delay the publication of such information. Public consultation is hampered by lack of time for meaningful consultation and lack of public understanding of budget documents (PI-9B, rated 'D+').
336. The SNG's revenue and expenditure outside financial reports are only 26 percent and 23 percent respectively (PI-6.1 and PI-6.2, both rated 'D'). Cash-based financial reports of extrabudgetary units are made available to the DoF upon one-off request, but not always on an annual basis (PI-6.3, rated 'D'). A majority (73.5 percent) of total transfer to district governments from the city government budget was made by a transparent and rules-based system (PI-7.1, rated 'B'). Information on annual transfers to district governments was issued 10 days before the start of the FY 2019 (PI-7.2, rated 'C').
337. It is noted that there are some performance targets for many services, however, performance plans and reports at line-department level were not disaggregated by specific policies or programs (PI-8, rated 'D+'). They included only sector-wide planned targets, some of which were sector-wide input and output indicators. Thus, those plans did not include policy or program based performance indicators and did not have a strong connection to frontline units' performance plans. Performance plans and results are anyway not published. At frontline units' level, performance evaluation may be conducted in some agencies based on their own needs rather than on a well-established system (i.e. for accreditation purposes), there is not yet technical guidance for systematic performance evaluation.

#### 3.1.4. Management of Assets and Liabilities

338. There is no systematic mechanism in place to identify and monitor contingent liabilities and other fiscal risks (PI-10.3, rated 'D'). All nine districts submitted their annual financial statements, of which only less than half were externally audited. Again, lengthy review and approval delayed the publication of the reports (PI-10.2, rated 'C'). While public corporations had their financial statements audited and consolidated by the DoF, the consolidated report and some public corporations' reports were not publicly available (PI-10.1, rated 'C').
339. The medium-term debt plan is prepared, but not on the basis of cost-risk considerations (PI-13.3, rated 'D'). Debt recording remains fragmented, but the DoF is able to report on the SNG's debts at least bi-annually (PI-13.1, rated 'C'). The approval of debt follows clearly defined procedures in national debt related legislations (PI-13.2, rated 'A').
340. Economic analysis is required for major investment project proposals, without clear national methodological guidance for robust economic analysis. These analyses and appraisal results are not published (PI-11.1, rated 'C'). Investment projects are prioritized through the medium-term and annual public investment planning processes prior to their inclusion in the budget (PI-11.2, rated 'D') and investment project monitoring is considered robust, but reports are not published (PI-11.4, rated 'C'). Although the total life-cycle cost of major investment projects is projected, the recurrent cost implications are considered separately (PI-11.3, rated 'D').
341. The city records its financial asset holdings and reports annually on its financial asset position and performance, but not on fair value (PI-12.1, rated 'C'). A national asset registry is in place for all non-financial assets above VND 500 million (USD 20,000), which produces annually published reports, but does not cover all infrastructure, natural, heritage, and sub-soil assets (PI-12.2, rated 'C'). The procedures for asset transfer or disposal and reporting are clearly established (PI.12.3, rated 'B').

### 3.1.5. Policy-Based Fiscal Strategy and Budgeting

342. The forecasts underlying the medium-term budget are not subject to macro-fiscal sensitivity analysis (PI-14.1, rated 'C'). The city is uncertain about the fiscal impacts of policy proposals because many important tax and spending policies are decided by the central government and keep changing. Medium-term sector plans and master plans are prepared but not well costed within fiscal constraints (PI-14.2, rated 'D'). Accordingly, the medium-term expenditure and revenue estimates are prepared on an incremental and 'spend-as-you-go' basis (PI-14.3, rated 'B') and the annual budget is not consistent with the previous year's estimates (PI-14.4, rated 'D').
343. A budget calendar is specified but is rather tight for all budgetary units to meaningfully complete their detailed estimates on time. In addition, it is not strictly followed at national level, leading to delays at the sub-national level (PI-17.1, rated 'B'). The guidance for budget preparation is provided without ceilings (PI-17.2, rated 'D'). The People's Committee submitted the consolidated budget proposal to the People's Council one month before the start of the FY in each of the last three years (PI-17.3, rated 'C').
344. The People's Council of CCT reviews the budget proposal with a full range of supporting documents (PI-18.1, rated 'A'). The procedures for legislative budget review include consultation with other Boards of the Council but do not officially include public consultation (PI-18.2, rated 'B'). The People's Council always approves the budget before the start of the FY (PI-18.3, rated 'A') and there are clear rules for budget adjustments made by the People's Council (PI-18.4, rated 'A').

### 3.1.6. Predictability and Control in Budget Execution

345. Tax administration is a deconcentrated function of the central government (PI-19, rated 'N/A'). Revenue collections are transferred to the TSA by the end of the day and information is shared with the SNG almost in real time (PI-20, rated 'N/A'). The Central State Treasury has established the TSA mechanism for the concentration of cash in the single accounts opened in the State Bank of Vietnam and four state-owned commercial banks. All bank balances are swept into the TSA by day-end (PI-21.1, rated 'A'). As long as the budget allocation is authorized and registered into TABMIS, a spending unit can commit and spend at any time of the FY, with the exception of targeted transfers for public investments (PI-21.3, rated 'B'). In-year budget adjustments happened twice in 2019 in compliance with laws (PI-21.4, rated 'A'). The State Treasury makes sure that cash is always available for eligible expenditure to avoid expenditure arrears (PI-22.1, rated 'A').
346. The link between personnel records and payroll databases is not yet automated. Reconciliation of the payroll with personnel records is made every six months at provincial level but monthly at institutional level (PI-23.1, rated 'C'). Payroll and personnel records were updated every six months in 2019. Retroactive adjustments were rare, accounting for 2 percent of the payroll (PI-23.2, rated 'A'). The authorities' ability to change personnel records and payrolls are restricted and require verification at the decision stage and the payment stage. All records and data with details of the authorizing officers are properly archived. Strict internal controls are in place (PI-23.3, rated 'A'), but payroll audit is not yet carried out (PI-23.4, rated 'D').
347. Segmentation of duties is practiced throughout the expenditure processes as required by various laws and reflected in internal regulations, with concern only on the custody of assets (PI-25.1, rated 'B'). The State Treasury registers and controls commitments for recurrent expenditure above VND 200 million and capital expenditure above VND 1 billion within allocated budget balances (PI-25.2, rated 'A'). But it is noted that there is still a time lag between commitment recognition and the contract signature. Compliance with payment rules and procedures is strictly controlled by the State Treasury (PI-25.3, rated 'A'). The current

control feedback function rests with the inspection system, including the financial inspectorate, sector-specific inspectorates, and the People's inspectorate established in each institution. The inspectorates only perform compliance checks, which are not comparable to internal audit. The internal audit function, not launched in CCT at the time of the assessment, begins in 2021 (PI-26, rated 'D').

348. The DPI maintains accurate and complete records for infrastructure investment contracts (including what has been procured, the value, and contracts awarded), while the DoF has details of procurement of recurrent expenditure. Centralized procurement is required for the procurement of supplies and equipment in the health and education sectors. E-procurement data is published, but information on paper contracts is difficult to monitor. The contracting agencies are responsible for contract monitoring (PI-24.1, rated 'C'). The total value of contracts awarded through competitive methods represents 87.70 percent of the total value of contracts awarded in 2019 (PI-24.2, rated 'A'). Procurement information is publicly available on related websites, while information outside the e-procurement system is difficult to access by the public (PI-24.3, rated 'B'). No complaints have been received, but the procurement complaint system meets three out of six good practice criteria (PI-24.4, rated 'B').

### 3.1.7. Accounting and Reporting

349. Financial data integrity processes are good, but the verification of financial data integrity is embedded in each recording and reporting entity instead of being independent (PI-27.4, rated 'B'). The TSA bank reconciliation takes place daily. In addition, all State Treasury offices also perform monthly and yearly bank account reconciliation (PI-27.1, rated 'A'). Suspense accounts are reconciled monthly and cleared within no more than three months to achieve zero balances at year end (PI-27.2, rated 'A'). Advances to staff are cleared within a month, advances to contractors are cleared upon work in progress, and all advance accounts are reconciled quarterly and annually (PI-27.3, rated 'B').

350. In-year monthly budget reporting is moderately satisfactory (PI-28, rated 'B+'). Direct comparison between the original budget and expenditure outturn is hindered by the 'carry-over' practice, in which some unspent resources and excess revenue is carried forward and accounted for in the subsequent year. While the TABMIS system produces monthly budget execution reports at the level of detail by administrative, functional, and economic classification, the original budget is not classified by economic nature for direct comparison (PI-28.1, rated 'B'). In-year budget reports are timely (PI-28.2, rated 'A') and accurate, but only present information on expenditure at the payment stage (PI-28.3, rated 'B').

351. The annual budget execution report (final accounts report) is prepared on cash basis and is not readily comparable with the original budget because of the above mentioned 'carry-over' practice (PI-29.1, rated 'B'). The report is submitted to SAV-5 within seven months at the end of the FY (PI-29.2, rated 'C'). The annual budget execution report is supplemented with a consolidated report on extra-budgetary funds and the presentation of carried-over spending, among others. In addition, the annual budget execution report is supported by the on-going development of whole-of-government financial statements that contain full information on revenue, expenditure, assets, liabilities, and cashflows. The current annual budget execution report applies several national guidelines, but the whole-of-government financial statements are likely to be prepared in compliance with IPSAS.

### 3.1.8. External Scrutiny and Audit

352. CCT had its annual budget execution reports audited by SAV-5 in each of the last three years. The SAV is a member of INTOSAI and is institutionally, operationally, and financially independent of CCT (PI-30.4, rated 'A'). Audit opinions are expressed with a list of detailed findings and recommendations on revenue,



expenditure, internal control, and compliance for each of the visited entities on the basis of 39 auditing standards that are mostly compliant with ISSAIs (PI-30.1, rated 'A'). Audit reports were submitted by SAV-5 to the CCT People's Committee within four months (PI-30.2, rated 'B'). Follow-up status reports produced by SAV-5 indicate timely and effective follow-up on its audit recommendations (PI.30.3, rated 'A').

353. Audit findings are discussed with the People's Council, the People's Committee, and audited entities before the audit report is published. The People's Council reviews and provides inputs into the annual audit plan. Its Board for Economic and Budgetary Affairs uses audit findings in legislative oversight visits to selected departments and units and to conduct hearings, enquiries, or debates at the Council's plenary sessions. The People's Council of CCT, however, does not scrutinize audit reports and has not yet issued a scrutiny report and/or its own recommendations (PI-31, rated 'D').

## **3.2. Strengths and Weaknesses of the PFM Systems**

### **3.2.1. Fiscal Discipline**

354. Aggregate fiscal discipline is being hindered by weak control of the total budget, over-optimistic macroeconomic and revenue forecasts, and insufficient risk management. The fact that CCT is a self-sufficient province exposes it to more uncertainty on the revenue side. The city no longer receives formula-based balancing transfers and has to compensate for its insufficient revenue share by aggressively increasing its own-source revenue, particularly land revenue and lottery service incomes. As a result, the city's capital expenditure, reliant on the above own-source revenue and earmarked grants from the central government, has been severely under-executed.
355. The medium-term budget planning process is not yet useful to support budget credibility and predictability. Although the three year FBP was introduced recently, the underlying forecasts and analysis of fiscal impacts of policy proposals are not sufficiently robust for credible medium-term ceilings and estimates. Moreover, the medium-term investment expenditure is fixed in another five year investment planning process without consideration of recurrent cost implications, changes in resource availability, or implementation progress from one year to the next. Accordingly, the annual budget is not yet consistent with the previous year's estimates and the differences from one year to the next are not properly explained and reconciled.
356. On the positive side, fiscal discipline is supported by relatively robust internal controls of payrolls and non-salary expenditure, which result in no expenditure arrears. The State Treasury registers expenditure commitments and verifies that all expenditure has been authorized and well controlled by spending units before processing payments. The efficiency in tax and non-tax revenue collection, as well as in cash management, is not a concern for the city. In-year budget adjustments take place with clear rules and procedures, by which social benefits, remuneration to employees, and operational expenses are well protected. Reporting on extrabudgetary operations is being improved with the recent introduction of the whole-of-government financial statements. The city registers its assets as required and takes a prudent stance on debt borrowing.

### **3.2.2. Strategic Allocation of Resources**

357. Strategic allocation of resources in the period is questionable with substantial variance in expenditure composition by administrative classification. Expenditure outturns are much lower than the original budgets in some budgetary institutions, particularly those involved in public investments, which could be a result of unpredictable in-year resource allocation, due to large variance in revenue composition.

Significant in-year adjustments and increasing trends of expenditure being carried over from one year to the next reflect that the annual budget is not a credible mirror of policies and plans.

358. Although the medium-term perspective was recently introduced, it is yet to help link policies, plans, and budgets. The systems and processes are fragmented with policy making, investment planning, and budgeting being carried out independently of each other. In particular, the investment plan and the recurrent budget follow separate processes in the inherent dual-budget system. The medium-term public investment plan has pre-committed the bulk of capital expenditure, while recurrent expenditure is mainly allocated to follow central government policies, leaving little discretion for strategic budget allocation by the provincial government.
359. While the budget documentation is considered to meet all the 'basic' requirements, the underlying macro-economic assumptions were produced once for every five year 'budget stability period'. The medium-term public investment plan was also produced for a five year period (2016-2020). Accordingly, all major public investment projects were centrally prioritized on the basis of published standard criteria, which helped resolve the backlog of capital expenditure arrears. But the medium-term public investment plan soon becomes unrealistic for annual budget allocation because of out-of-date macro-fiscal assumptions and unrealistic public investment project costings on the basis of out-of-date cost norms and lack of considerations of recurrent cost implications. As a result, line departments tend to budget and spend on an ad hoc basis.
360. Legislative scrutiny benefits from transparent and comprehensive budget information but can be further improved by being results orientated. Transfers to districts are transparent and rules-based, but are made well beyond the start of FYs. The total expenditure of extrabudgetary funds is only around 1 percent of the total sub-national budget expenditure. The 'socialization' policy and 'autonomy' regime encourage PSDUs to self-finance at least their recurrent expenditure by use of service fees and other means, including by partnering with the private sector. The city budget only allocates funds to cover gaps to maintain public services as required.

### **3.2.3. Efficient Use of Resources for Service Delivery**

361. Efficiency gains are achieved in the use of resources for service delivery thanks to improvements in the procurement system and better control of payrolls and non-salary expenditure. The TABMIS system produces more reliable fiscal data and reporting on financial information with regular and orderly reconciliation of data. The system also registers expenditure commitments and automates budget balance control. In addition, the State Treasury verifies that all payrolls and non-salary expenditure have been controlled before it processes payments and it makes sure that cash is always available for any eligible payments. Cost savings are achieved by centralized procurement in the health and education sectors. Public procurement is more competitive and transparent with the new PPL and the electronic government procurement platform (<http://muasamcong.mpi.gov.vn/>), although manual and paper-based processes were still applied in the period of this assessment.
362. Still, the variance in expenditure composition remains large. Neither annual nor in-year budget execution reports allow direct comparison between the original budget and expenditure outturns because of the 'carry-over' practice. Expenditure outturn is classified at the level of detail by administrative headings, functions, and economic types, but the original budget does not present expenditure by economic classification. In-year budget reports are timely and accurate, but only present information on expenditure at the payment stage. The annual budget report is prepared on cash basis. It does not contain information on assets, liabilities, contingent liabilities, and fiscal risks (these should be available in the future with the

development of the whole-of-government financial statements) but is supplemented with notes on extra-budgetary funds and carried-over spending.

363. As a result of unrealistic revenue forecasting and non-credible medium-term expenditure planning, transfers to district governments are mainly rules-based but not very timely. Resource allocation, especially to public investment projects, is not highly predictable. Budget allocation and authorization to direct spending units are based on line-items or inputs for tasks, which do not support the comparison of service performance with the actual resource received. Some performance targets are available but not systematically presented and linked with the budget, which prevents proper performance evaluation for service delivery. The lack of performance information and incomplete and untimely public access to fiscal information are also impediments for the SNG and communities to monitor the efficiency of service delivery.
364. The internal control feedback mechanism is based on compliance checks by the inspectorate system while the internal audit function is to be developed. External audit plays the key role in identifying inefficiency in the public sector. External audit is independent and conducted regularly. Audit findings are discussed with the People's Council, the People's Committee, and audited entities before the audit report is published. The People's Council uses audit reports for plenary hearings and its oversight missions but neither scrutinize audit reports nor issue scrutiny reports and/or recommendations.

### **3.3. Performance Changes Since a Previous Assessment**

365. This is the first assessment.



# IV

## GOVERNMENT PFM REFORMS

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## 4.1. National Approach to PFM Reforms

366. National PFM reforms were based on the Prime Minister's Decision No. 450/QD-TTg, dated April 18, 2012, on Approval of the Finance Development Strategy for Period 2010-2020. The MoF then issued Decision No. 224/QD-BTC, dated January 30, 2013, promulgating its Action Program for the Implementation of the Finance Development Strategy. The Action Program set out 82 reform actions, the majority of which are focused on PFM reforms. Both the Strategy and Action Program were strongly influenced and informed by the first National PEFA Assessment, launched March 17-18, 2011, followed by a comprehensive Public Expenditure Review. These were supported by the World Bank. The PEFA Assessment took longer than expected to complete as it required a lot of interaction to understand and map Vietnamese practices to international good practices as presented in the PEFA guidelines. The PEFA Assessment Report was published in 2013 and the Public Expenditure Review in 2017. However, the Strategy and Action Program already reflected the initial fieldwork for the PEFA Assessment and Public Expenditure Review.
367. The Strategy and Action Program focused on the revision of the 2002 State Budget Law, as well as the promulgation or revision of various PFM-related laws.<sup>56</sup> While the new and revised laws were able to address some immediate issues, others required awareness raising, capacity building, and implementation efforts across the whole of government. PFM reforms have been actively supported by technical assistance programs of development partners, including the WB, Asian Development Bank, and European Union (implemented by the German development agency GIZ<sup>57</sup>). The latter program supports assistance in revenue forecasting and the roll-out implementation of the medium-term expenditure framework. The Asian Development Bank supports the preparation of regulations on the management of public debt, national external debts, and extra-budgetary funds. The WB mainly supports debt management analysis and disaster risk analysis via its Government Debt and Risk Management and Disaster Risk Financing and Insurance programs, and notably a comprehensive program called Public Financial Management Advisory and Analytical Assistance Program under a trust fund of SECO and Global Affairs Canada.

The WB Analytical Assistance Program was built on the PEFA Assessment, covering four results areas and other activities at legislative level and sub-national level, including:

- Improving linkages between plans and budgets: To support conceptual design of the medium-term budget framework and public expenditure review follow-up activities.
- Improving effectiveness of budget execution controls: To support commitment management and reporting: technical assistance upgrading TABMIS; cash management (active cash management and cashflow forecasting); and PSDU performance monitoring (with focus on non-financial key performance indicators).
- Improving production and supply of quality fiscal information: To support budget classification analysis; budget report alignment with GFSM 2014 standards; budget transparency and openness (open budget portal and budget data warehouse); adoption of Vietnam Public Sector Accounting Standards; production of whole-of-government financial statements.
- Improving systems for fiscal stability and risk management: To support SOE financial position and risk reporting (training in financial statement analysis and development of the SOE reporting platform); strengthening of SOE financial statements (use of International Financial Reporting Standards); monitoring of sub-national fiscal risks; and production of the national fiscal risk statement.

<sup>56</sup> The State Budget Law (revised in 2015); the Public Investment Law (issued in 2014, revised in 2019); the Public Debt Management Law (issued in 2009, revised in 2017); the Law on Management and Use of Public Assets (first issued in 2008, revised in 2017); the Accounting Law (issued in 2015); the Tax Administration Law (revised in 2019); the Public Procurement Law (2013); the State Audit Law (2015);...

<sup>57</sup> *Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH*

368. The key reforms and initial outcomes in the time period cover:

### ***Budget Credibility***

The 2015 State Budget Law introduced a definition of budget deficit in accordance with international practices that excludes principal debt repayment as an expenditure item, providing a more accurate measure of the impacts of fiscal policy on the economy, improving the ability to assess the fiscal situation.

The revised Law also formally allows SNGs to run a deficit and the National Assembly to approve the deficits of provinces.

The revised Law also attempts to restrict the widespread practice of budget carry-over (of excess revenue and unspent funds) to the following FY. Carry-over of unspent funds is now only allowed for (i) procurement of equipment, (ii) earmarked expenditure for salary reforms, (iii) block grant budgets for autonomous PSDUs and administrative units, (iv) supplementary budgets allocated after September 30, (v) budget grants for research, and (vi) some capital expenditure as stipulated in the Public Investment Law. The Law (Article 20.5.b) stipulates that the use of excess revenue is to be decided by the Standing Committee of the National Assembly and reported to the National Assembly in its next plenary meeting.

### ***Budget Comprehensiveness and Transparency***

The State Budget Law requires more comprehensive budget documentation, with an expanded list of documents to be submitted with the annual budget proposal, including a detailed report on public debt, a report on centrally managed extra-budgetary funds, and information on tax reductions and exemptions.

The National Assembly was provided with two more weeks in the budget calendar to review the executive's budget proposal. The Standing Committee of the National Assembly is to approve the budget allocation norms at the start of the budget stability period and the allocation of excess revenue during budget implementation.

A new functional classification of expenditure is introduced with 13 functions. The Law requires investment spending on projects to be classified by function, allowing more complete reporting of government spending by function. This reform makes it possible to have a consolidated picture of spending in any one function or sector, which was previously missing. Vietnam is also mapping the budget classification to GFS standards from 2013 to the present time and has published the Vietnam Government Financial Statistics Manual, following GFSM 2014.

The revised State Budget Law provides for more disclosure and increased budget oversight. It expands the disclosure of budgets, budget execution reports, and final accounts, as well as explanatory reports and administrative procedures. In this regard, the MoF assisted the National Assembly in the revision of the budget proposal reporting requirements (Resolution 387).

A Citizens' Budget has been produced since 2018 for the enacted budget of the national government. An Open Budget Portal was launched in 2020. A budget data warehouse was launched in 2019 to provide information to ministries and SNGs on budget execution. A SOE financial reporting system has been established for SOE fiscal risk monitoring.

### ***Policy-Based Budgeting***

The 2015 State Budget Law provides additional time in the budget calendar for the National Assembly to approve the annual budget.

The Law also recognizes the importance of a medium perspective by requiring the preparation of the fixed five year financial plan and rolling three year FBP (by both central and sub-national governments). The new Public Investment Law requires the preparation of the medium-term public investment plan within the framework of the five year financial plan. The implementation process is on-going.

### ***Predictability and Control in Budget Execution***

The revised Tax Administration Law (2019) introduces a number of positive features in invoice management, international tax cooperation, taxpayer support, and taxpayer communication. Administrative procedures are much improved with the launching of the centralized tax management information system in 2015, replacing 16 decentralized tax systems. The rights of taxpayers are substantially enhanced, including ready access to full information about all aspects of tax liabilities and administrative procedures.

To improve the effectiveness of tax registration and assessment, the Law attempts to better control e-commerce activities and transfer pricing. In addition, there are attempts to encourage household businesses to register as incorporated enterprises and the provision of support for tax accounting by micro businesses. A risk based approach is adopted in tax inspection and audit planning. A dedicated office for major taxpayers is being developed.

Dedicated tax collection accounts have been opened by the State Treasury in almost all commercial banks that have national operations to facilitate tax payments. Tax payments can be made 24/7 via internet banking, ATM, and POS for example.<sup>58</sup> All tax payments are swept into the TSA system of the State Treasury and reconciled with tax assessment data of the tax and customs authorities on a daily basis. The tax and customs authorities can have real time information on virtually all tax payments via an interface with the State Treasury.

The State Treasury was successful in consolidating cash balances from bank accounts of 700 of its offices into a TSA system. The reform was completed in 2017. The Vietnam TSA model includes five accounts for operations in local currency, covering all budget operations of the central government as well as all three levels of SNGs. The implementation of the TSA helps the State Treasury to realize a range of benefits, namely (i) complete and timely information on cash resources; (ii) comprehensive budget balance controls; (iii) improved operational control; (iv) reduced transaction costs; (v) improved quality of bank reconciliation and fiscal data; (vi) efficient cash management; (vii) efficient payment mechanisms; and (viii) reduced liquidity needs.

The TABMIS became fully operational in 2013. The system initially started to register commitments submitted by budget spending units as stipulated in Circular No. 113/2008/TT-BTC, dated November 27, 2008, on State Treasury Management of State Budget Expenditure Commitments. This Circular was replaced by Circular No. 40/2016/TT-BTC, dated March 01, 2016, which requires that commitments are registered for all contracts valued at VND 200 million or more for recurrent expenditure and VND 1 billion or more for capital expenditure. Commitments must be registered within 10 days from the effective date of the contract. However, this is not very useful to avoid unauthorized commitments. Reform in this area is on-going.

As access to TABMIS is limited to named users for control purposes, the MoF developed a budget data warehouse to provide wider access to users in other ministries and SNGs, including district governments. The budget data warehouse provides standards reports and also Oracle Discoverer tools for users with basic understanding of a database, as well as business intelligence tools for advanced users to address various information and analytical demands, including graphical presentation of data. The data warehouse contains data on aggregate annual state budget final accounts from 1981-2004, highly disaggregated final accounts for ministries and central government

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58 ATM=Automated Teller Machines, POS=Point-of-Sale Machines

agencies from 1997 onwards, highly disaggregated final accounts from 1991 onwards, and high-level accounts from 1945.

In addition, a number of online administrative services are being provided via the e-Portal of the MoF. Examples of level-4 online administrative services of the State Treasury include: (i) opening of accounts and revision of account details (ii) submission of documents for budget expenditure controls; (iii) ex post recording of external finance and related expenditure in the state budget; (iv) registration for cash withdrawal; (v) closing of accounts opened in the State Treasury. Examples of online tax and customs services are 24/7 tax return filing and payment; requests for extension of tax and land rent payment; tax refunding; complaints and appeals; among others.

The PPL (revised in 2013) further clarifies and simplifies administrative procedures as well as bidder selection and bid evaluation processes in specific situations. The Law also stipulates centralized procurement, which is not only much more efficient but also enhances professionalism of procurement activities. Centralized procurement has been successfully applied in the procurement of cars, and drug and medical supplies, resulting in savings of VND hundred billions. The methods of single source selection and direct contracting are restricted. Information on procurement opportunities and contract awards is made much more transparent by the requirement for online registration in the MPI's online procurement portal.

### ***Asset and Liability Management***

The Public Debt Management Law (revised in 2017) further strengthens the coordinating role of the Debt Management and External Finance Department in the MoF, which has been transferred management responsibilities for ODA from the MPI. The roles of the National Assembly, the government, and related agencies in debt management are better defined. The Law clearly requires a debt strategy, five year public debt borrowing and repayment plan, rolling three year debt management program, and annual debt borrowing and repayment plan. A new concept of debt prudence thresholds is introduced in addition to the existing debt ceilings. Government guarantees are being tightened. A strategy for the development of the domestic government bond market has been developed.

The Law on the Management and Use of Public Assets (2017) expands the coverage to all public assets as stipulated in the 2013 Constitution (Article 53). The Law considers public assets as important resources to generate incomes for socio-economic development. It also stipulates accountability in the acquisition, operations, and disposal of public assets to promote their efficient and economic use in a transparent manner. The Law sets out key principles in the management and use of land and natural resources and requires the identification of agencies responsible for infrastructure and natural resource assets. A national assets registry is being established to capture important assets of all general government entities and some infrastructure assets. Information on land and infrastructure assets have to be captured by responsible sector ministries, agencies, and SNGs to feed into the national asset registry.

### **Accounting, Recording, and Reporting**

Regular bank reconciliation is facilitated with the successful establishment of the TSA.

Work is on-going relating to the development and promulgation of the Vietnam Public Sector Accounting Standards along with efforts in the consolidation of the whole-of-government financial statements under the responsibility of the State Treasury. These standards are to be promulgated and adopted in a roadmap covering the 2020 to 2024 period. Whole-of-government financial statements have been produced for FYs 2018 and 2019, including the statement of financial positions, the operational statement, the cash flow statement, and explanatory notes. These financial statements are not yet audited or published as work is being carried out



regarding their quality. Once considered acceptable, these will be audited and published.

To prepare for the transition toward the adoption of Vietnam Public Sector Accounting Standards, the MoF issued a number of revised accounting regimes for different types of organizations. Examples are Circular No. 77/2017/TT-BTC, dated July 28, 2017, promulgating the accounting regime for State Budget and Treasury Operations (i.e. TABMIS accounting regime); Circular 102/2018/TT-BTC, dated November 14, 2018, promulgating the accounting regime for the Social Security Agency. One important accounting regime is promulgated by Circular 107/2017/TT-BTC, dated October 10, 2017, which is related to the adoption of key features of IPSAS.

### ***External Scrutiny and Audit***

The 2013 Constitution recognized the role of the SAV and the Auditor General as a constitutional institution and position, which was further stipulated in the 2015 State Audit Law. The 2015 Law mandates the Auditor General to promulgate the audit standards, functions, and mandates of all units in the SAV, and powers and responsibilities of different positions in the SAV; and also decisions on sourcing of private auditors, as well as regulations on submission of audit reports and exchange of documents.

The status of audit reports is legalized once signed by the Auditor General or authorized persons. The audit reports become legally binding on the auditees and are used by legislative and executive bodies to exercise their powers and mandates.

The SAV issued Decision 02/2016/QD-KTNN on July 15, 2016, to publish the complete set of 39 auditing standards. The standards are declared by the SAV to be mostly compliant to ISSAIs at all four levels, including financial audit, compliance audit, and performance audit. The standards contain procedures on issuing audit opinion and audit reports. The SAV also issued an audit manual and provides training to its auditors.

For the audit of State Budget Execution reports, the SAV issued Decision 02/2018/QD-KTNN to provide additional specific procedures including on audit planning, internal control assessment and risk assessment, audit fieldwork, and audit recommendation enforcement. In addition to audits at the tax and customs authorities, and reconciliation and compliance checks at other departments of the MoF and MPI, the guidance also relates audit evidence to other audit fieldwork to be conducted at ministry and sub-national level. Audit opinion on the truth and fairness of the financial statements is not emphasized explicitly in this guidance.

On September 16, 2020, the National Assembly issued a resolution to approve the SAV strategy to 2030. The strategy commits the SAV to audit 80 percent of central ministries' budget execution reports by 2025 and 100 percent by 2030.

## **4.2. Recent PFM Reform Actions Impacting Sub-National Governments**

369. While most PFM reforms have been successfully introduced at national level, some reform actions have significant implications on SNGs in their implementation, other reforms have not yet reached SNGs. SNGs sometimes benefit from national reforms without having to take action. Below are some key reform actions as implemented, and to be implemented, at SNG level:

SNG Implemented Reforms	Positive Developments and Remaining Gaps
Introduction of medium-term budget planning	The SNG is required to prepare fixed five year financial plan, fixed five year public investment plan, and three year rolling FBP. The three year rolling FBP has been produced for three years but the quality should be improved to be useful. It is currently only prepared for recurrent expenditure, which is disconnected from the capital expenditure planning process. The analysis of baseline and new spending should be improved by capacity building and learning from experience.
Use of the MoF's budget data warehouse	The budget data warehouse has great potential to enhance budget management and reporting at sub-national level. SNG staff should be trained on how to use basic, intermediate, and advanced tools to make full use of the data warehouse.
Awareness of the open budget portal and citizens' budget	The SNG has not prepared a citizens' budget. Awareness of the national open budget portal and citizens' budgets should be raised for better public participation in the budget process.
Commitment registration	Procedures are being developed by the Central State Treasury for budget spending units to register for in-year and multi-year commitments. Budget spending units neither record commitments of their own nor find it a useful practice.
Cash flow forecasting	Procedures are being developed by the Central State Treasury for the collection of information to support centralized cash flow forecasting.
Public debt management	The SNG does not really have a debt management function. A debt strategy is not yet developed on the basis of cost-risk analysis. Public debt information is fragmented among debt-using PMUs without a proper debt recording system.
Public asset management	The SNG relies on the national asset registry for complete information. The SNG needs access to good information on the public assets they are responsible for so as to develop strategies to use assets efficiently and to generate revenue for local development.
The internal audit function	The development of the internal audit function faces challenges as the national government is restraining the expansion of public organizations and employment. Internal audit skills should be developed.
Production and consolidation of the SNG's financial statements	Two sets of SNG financial statements were produced for FYs 2018 and 2019. The quality should be improved over time to be useful. Ways to use the financial statements should be considered.
The balance between the autonomy given to PSDUs and their accountability for resources and results	There is a strong need to address the asymmetry between the autonomy granted to PSDUs and their level of accountability for fees collected, outputs delivered, and results. It is important for the SNG to monitor and manage the quality and quantity of frontier public service delivery with both financial and non-financial information.
Information on fiscal risks that the SNG is exposed to	The SNG is to learn from the experience of the national government and build their own capacity for the collection and analysis of fiscal risk information.

### 4.3. Institutional Consideration

370. The overall reforms well reflect the leadership and ownership of the national government with the dissemination of the government's reform vision as set out in public documents. The high-level strategy was adopted by the Prime Minister. Responsible ministries and agencies were required to develop their respective action programs to set out concrete reform actions with timelines and responsible agencies or units. Reform ideas were realized by the promulgation of new or revised laws with full political engagement and public consultation before implementation. Reform progress was reported annually, and a performance

review was held every five years (for periods 2011-2015 and 2016-2020). Nevertheless, some lessons can be drawn from the recent experience.

371. To implement the high-level strategy, concrete reform action programs were designed by respective Ministries and agencies. But these were often working in silos, which somehow compromised coordination across the government. Responsibilities were clearly identified for lead agencies, but participating agencies did not always dedicate sufficient time nor engage with their best efforts. In addition, success factors and result indicators were not always clear, making it difficult to manage expectations to maintain momentum and avoid reform fatigue. It is also observed that some reforms were imposed by promulgation or revision of national laws and regulations without prior testing of local implementation capacity.
372. When an ambitious program is launched with many parallel reforms in the same period, it is important to realistically sequence the pace of individual reforms. Even though the action program was time-bound, the sequencing of reforms was not always clear or realistic. Some reform ideas took time to make the case and to build consensus at national level, and their implementation at sub-national levels was even more challenging and time consuming. Many reform actions were led by respective central government bodies, but imposed an implementation burden on the other bodies and SNGs. In addition, the medium-term estimation of costs for roll-out implementation of some reform actions was missing or failed to take account of the extensive demand for local awareness raising and capacity building.
373. In summary, SNGs benefit from national PFM reform programs, but these need to be carefully managed. The national government should test reform ideas before large scale implementation. Once reforms are legislated for national roll-out, awareness raising, and capacity building are key pre-conditions for successful local implementation. Technical assistance may add significant value to implementation. In addition, the sequencing and adequate resource allocation should be considered.

#### **4.4. Suggested key aspects of the SNG-specific PFM reform**

374. The proposed SNG PFM reform for CCT aims at strengthening the city's core public financial management functions through the following five components: 1) medium-term policy-based fiscal strategy, 2) medium-term expenditure framework, 3) PSDU financial and operational performance reporting, 4) public investment and public asset management and 5) public participation in fiscal policies, investment planning, and service delivery. This SGN PEFA assessment informed the selection of these priority areas. The proposed reform is also informed by the priorities of the city in terms of resilient and green COVID-19 recovery and improving service delivery which the outbreak has disrupted.

## Annex 1. Scoring of SNG PEFA Assessments

**The PEFA framework for SNGs examines performance indicators** across the PFM activities performed by governments. These are grouped under the following eight pillars.

- ❖ Intergovernmental fiscal relations
- ❖ Budget reliability
- ❖ Transparency of public finances
- ❖ Management of assets and liabilities
- ❖ Policy-based fiscal strategy and budgeting
- ❖ Predictability and control in budget execution
- ❖ Accounting and reporting
- ❖ External scrutiny and audit

Scoring of the performance indicators is the heart of the PEFA process. The score for each indicator takes into account one or more dimensions. **Each dimension is scored separately on a four-point ordinal scale: A, B, C, or D**, according to precise criteria established for each dimension. In order to justify a particular score for a dimension, every aspect specified in the scoring requirements must be fulfilled. If the requirements are only partly met, the criteria are not satisfied, and a lower score is given that coincides with achievement of all requirements for the lower performance rating.

- The highest scores of A or B show an individual dimension of the core PFM element fully or almost fully meets an internationally recognized standard of good performance.
- A score of C reflects a basic level of performance for each indicator and dimension, consistent with good international practices.
- A score of D means that the feature being measured is currently below the basic level of performance, is absent altogether, or that there is insufficient information (indicated by an asterisk) to score the dimension. Aggregate indicator scores do not include any asterisks, and thus the insufficiency of information is only noted at the dimension level.
- Where an indicator or dimension is not applicable to the government system being assessed “not applicable (N/A)” is entered instead of a score.

**The overall score for an indicator is based on the scores for the individual dimensions.**

The scores for multiple dimensions are combined into an overall score for the indicator using either the weakest link method (M1) or the averaging method (M2).

- M1: The weakest link (WL) method is used for multidimensional indicators where poor performance on one dimension is likely to undermine the impact of good performance on other dimensions of the same indicator. In other words, this method is applied where there is a “weakest link” in the connected dimensions of the indicator. Each dimension is initially assessed separately and given a score. The aggregate score for the indicator is the lowest score given for any dimension.
- M2: The averaging (AV) method uses the approximate average of dimension scores where a low score on one dimension of the indicator does not necessarily undermine the impact of a high score on another dimension of the same indicator. Each dimension is assessed separately then these are converted into an aggregate indicator score.

## Annex 2. Performance Indicator Summary

Indicator /Dimension	Score	Description of requirement met
<b>SUBNATIONAL PILLAR: INTERGOVERNMENTAL FISCAL RELATIONS</b>		
<b>HLG-1.1 TRANSFERS FROM HIGHER-LEVEL GOVERNMENT</b>	<b>C</b>	Scoring method M2 (AV)
HLG-1.1 Outturn of transfers from higher-level government	D	Actual transfers were 78%, 84%, and 86% of the original budget estimate in the three years 2017-2019, or none of last three years met "C" score requirement of this ratio of between 92-116%.
HLG-1.2 Earmarked grant outturn	D	Variances in transfer composition in 2017, 2018 and 2019 were 22, 16 and 14% respectively. Only year 2019 met "C" score requirement of the variance of less than 15%.
HLG-1.3 Timeliness of transfers from higher-level government	A	MoF's information on budget plans assigned to the city was made in about November every year before commencement of the new FY.
HLG-1.4 Predictability of transfers	C	MoF provides information on budget transfers for the FY and two following years, but does not provide clear explanation about changes between the current and the previous year.
<b>PILLAR I: BUDGET RELIABILITY</b>		
<b>PI-1 AGGREGATE EXPENDITURE OUTTURN</b>	<b>D</b>	Actual state budget expenditure deviated from the initially approved amount by more than 15% in two of the three years analyzed (-18.1 in 2017; -25.0% in 2018; and -14.7% in 2019)
<b>PI-2 EXPENDITURE COMPOSITION OUTTURN</b>	<b>D+</b>	Scoring method M1 (WL)
PI-2.1 Expenditure composition outturn by function	D	The calculated composition variance by function was more than 15% in two of the last three years: - Year 2017: 19.15% - Year 2018: 34.02% - Year 2019: 20.55%
PI-2.2 Expenditure composition outturn by economic type	N/A	The budget is not allocated by economic type of expenditure. Therefore, it is not possible to calculate variance in expenditure composition by economic type.
PI-2.3 Expenditure from contingency reserves	A	The contingency provision subsequently allocated to particular programs in year: - 2017: 3.34% - 2018: 1.04% - 2019: 2.55%;  i.e. on average less than 3% of expenditure.
<b>PI-3- REVENUE OUTTURN</b>	<b>N/A</b>	Scoring method M2 (AV)
PI-3.1 Aggregate revenue outturn	N/A	Administered by the National General Department of Taxation and the National General Department of Customs.
PI-3.2 Revenue composition outturn	N/A	Administered by the National General Department of Taxation and the National General Department of Customs.

<b>PILLAR II: TRANSPARENCY OF PUBLIC FINANCES</b>		
<b>PI-4 BUDGET CLASSIFICATION</b>	<b>D</b>	The budget is consistently estimated, implemented, and reported by sector and administrative unit classification. However, the budget estimates are not classified with detailed economic content.
<b>PI-5 BUDGET DOCUMENTATION</b>	<b>D</b>	Budget documentation fulfills 5 elements, including 2 basic elements and 3 additional elements out of 12 elements.
<b>PI-6 SUBNATIONAL GOVERNMENT OPERATIONS OUTSIDE FINANCIAL REPORTS</b>	<b>D</b>	Scoring method M2 (AV)
PI-6.1 Expenditure outside financial reports	D	The sum of expenditure from extrabudgetary funds and PSDU retained collection was 23% of total expenditure of SNG budgetary units.
PI-6.2 Revenue outside financial reports	D	The sum of revenue from extrabudgetary funds and PSDU retained collection was 26% of total revenue of SNG budgetary units.
PI-6.3 Financial reports of extrabudgetary units	D	Submission of financial reports of extrabudgetary funds to DoF was made only upon one-off request. The reports lack most of the information needed on revenue, expenditure, financial and tangible assets, liabilities, guarantees, and long-term obligations.
<b>PI-7 TRANSFERS TO SUBNATIONAL GOVERNMENTS</b>	<b>C+</b>	Scoring method M2 (AV)
PI-7.1 System for allocating transfers	B	Most (or 75%) of transfers to district governments from the city government budget was made by a transparent and rules-based system.
PI-7.2 Timeliness of information on transfers	C	Information on annual transfers to district governments was issued 10 days before the start of FY 2019 and a week before FY 2020.
<b>PI-8 PERFORMANCE INFORMATION FOR SERVICE DELIVERY</b>	<b>D+</b>	Scoring method M2 (AV)
PI-8.1 Performance plans for service delivery	D	Performance plans at line-department level were not disaggregated by specific policy or programs. Information on policy or program objectives and key performance indicators was not published.
PI-8.2 Performance achieved for service delivery	D	Performance reports at line-department level were disaggregated by functions, not by specific policy or programs. They included the sector-wide quantity of output produced, but not the outcomes achieved.  Departmental performance reports were not published.
PI-8.3 Resources received by service delivery units	C	Annual budget outturn reports of all three sampled sectors presented information on resources received by each frontline PSDU under the supervision of a line department. Information on resources was disaggregated by sources (budget transfer and service charge collection) and by specific spending purposes (salary and non-salary).
PI-8.4 Performance evaluation for service delivery	D	External state auditing is a unique systematic external evaluation arrangement for departmental agencies. Due to a lack of technical guidelines from the City People's Committee to be used as official standards for performance auditing, it has not yet been conducted at all by state audit in Can Tho.

<b>PI-9 PUBLIC ACCESS TO FISCAL INFORMATION</b>	<b>D</b>	The government made only one basic element available to the public.
<b>PI.9B. PUBLIC CONSULTATION</b>	<b>D</b>	Scoring method M2 (AV)
PI-9B.1 Public consultation in budget preparation	D	Given time pressure on budget plan drafting to submit to the City People's Council, public consultation on budget preparation for 2020 was not conducted in 2019. Only members of standing committees of key decision making bodies in the city were consulted.
PI-9B.2 Public consultation in the design of service delivery programs	D	In 2019, DoET conducted a public consultation on the proposed tuition fee scheme, and DoF on proposed allowances for commune VFF. However, those feedback mechanisms were held for initiatives rather than for comprehensive service delivery programs.
PI-9B.3 Public consultation in investment planning	D	Public consultation is not required at the stage of project preparation. Only when an investment decision is made, the consultation is made for some large-scale projects and projects involved sensitive issues (environment, resettlement, land acquisition...). The content for public consultation does not cover key results of economic analysis of projects.
<b>PILLAR III: MANAGEMENT OF ASSETS AND LIABILITIES</b>		
<b>PI-10 FISCAL RISK REPORTING</b>	<b>D+</b>	Scoring method M2 (AV)
PI-10.1 Monitoring of public corporations	C	The financial statements of all SOEs are audited but not all of them are published. The DoF consolidates SOE financial statements and submits to the MoF. The consolidated report is not published.
PI-10.2 Monitoring of subnational governments	C	Districts prepare budget executed reports on an annual basis but only less than half of them are audited. All budget executed reports, both audited and unaudited, are submitted to the People's Council of the same level for review and approval. They are disclosed after the People's Council approves the reports usually in November of the following year.
PI-10.3 Contingent liabilities and other fiscal risks	D	The CCT does not identify any contingent liabilities in the budget nor any other reports. The city uses the contingency fund to finance the losses caused by such events. Therefore there is no information on contingent liabilities even though there might be contingent liabilities from SOEs debts that SOEs are not able to pay.
<b>PI-11 Public investment management (M2)</b>	<b>D+</b>	Scoring method M2 (AV)
11.1 Economic analysis of investment proposals	C	Project proposals include information on total cost, rationale, and social and economic benefit. However, the proposals do not provide clear cost benefit analysis (what is provided is mostly quantitative and not conducted based on established methodology). The result of the project appraisal is not published.

11.2 Investment project selection	D	The projects are prioritized in the medium-term investment plan by the DPI based on clear criteria in the Public Investment Law and City Resolution. Projects are selected annually based on the revenue forecast and feasibility of implementation and the impact of the projects. There is no criteria for selecting projects in the annual budget.
11.3 Investment project costing	D	Total capital cost of the project is included in the medium-term investment plan and the annual investment plan. However, estimates of the recurrent cost are not systematically included in the budget document.
11.4 Investment project monitoring	C	The project implementing agencies prepare a monthly report and submit to the DPI for review and consolidation. The DPI produces a consolidated report on public investment management of the whole city to the MPI every six months. The implementation report of major projects is not published.
<b>PI-12 PUBLIC ASSET MANAGEMENT</b>	<b>C+</b>	Scoring method M2 (AV)
PI-12.1 Financial asset monitoring	C	The CCT records financial assets in the financial statement of the city. These assets are recorded at book value.
PI-12.2 Non-financial asset monitoring	C	The CCT has a registry of fixed assets that are above VND 500 million. However, there is not a full registry of land and subsoil assets. The fixed assets are consolidated in a report and published annually.
PI-12.3 Transparency of asset disposal	B	There is a clear procedure issued by the central government related to asset disposal. The People's Committee needs to approve the transfer/disposal of assets with value above VND 500 million
<b>PI-13. Debt management</b>	<b>C+</b>	Scoring method M2 (AV)
13.1. Recording and reporting of debt and guarantees	C	The DoF monitors all debt of the city and reports the debt statistics to the MoF bi-annually. The debt data is complete and accurate for budgetary units only. Information is reconciled on an annual basis. Areas where reconciliation requires additional information to be complete are acknowledged as part of documentation of records.
13.2. Approval of debt and guarantees	A	The debt management law and guiding regulation clearly stipulates the procedure for issuing new debt and guarantees as well as the approving authority of new debts.
13.3. Debt management strategy (DMS)	D	CCT prepares the medium-term debt plan. However, this plan does not have target indicators such as interest rate, foreign currency risks. The plan is not publicly disclosed.
<b>PILLAR IV: POLICY-BASED FISCAL STRATEGY AND BUDGETING</b>		
<b>PI-14. MEDIUM-TERM BUDGET STRATEGY</b>	<b>D+</b>	Scoring method M2 (AV)
PI-14.1 Underlying forecasts for medium-term budget	C	Estimates of revenue and expenditure were available for the FY and two outer years, in which estimates for the FY was the same as presented in its annual budget plan. They followed the city's medium development strategy as reflected in the City Party Congress Resolution for 2016-2020, and based on fiscal growth rates guided by MoF, not on key demographic and macroeconomic indicators.



PI-14.2 Fiscal impact of policy proposals	D	Revenue policy has been decided by the budgetary central government. In principle, fiscal impact of any new expenditure policy should be justified. However, this analysis, if any, is made in separate policy-based report rather than is included in a synthesized report submitted to the City Council. Written evidence of this analysis is not provided.
PI-14.3 Medium-term expenditure and revenue estimates	B	The annual budget proposal presents estimates of revenue and expenditure for the budget year and two outer years. The estimates are classified by economic classification at aggregate level (capital vs. recurrent) and by function.
PI-14.4 Consistency of budget with previous year's estimates	D	Only budgeted and estimated data of the last year of the last medium-term budget is available in parallel with estimates for the current medium-term budget. However, no narrative explanation is available for any change.
<b>PI-17 BUDGET PREPARATION PROCESS</b>	<b>C</b>	Scoring method M2 (AV)
PI-17.1 Budget calendar	B	A clear annual budget calendar is set nationally. CCT adheres to the steps which are under its control. According to the calendar, provincial agencies have more than 4 weeks to prepare budget proposal, all agencies submitted on time in 2019.
PI-17.2 Guidance on budget preparation	D	No budget ceiling is given to provincial agencies for the annual budget proposal.
PI-17.3 Budget submission to the subnational council	C	The Provincial People's Committee submitted the budget proposal at least 1 month before FY end in each of the last three FYs.
<b>PI-18 LEGISLATIVE SCRUTINY OF BUDGETS</b>	<b>B++</b>	Scoring method M1 (WL)
PI-18.1 Scope of budget scrutiny	A	CCT People's Council's review on budget proposals covers all revenue and expenditure, medium term financial plan, priorities, and fiscal policies.
PI-18.2 Legislative procedures for budget scrutiny	B	Budget scrutiny in CCT is done by the People's Council's Economic and Budget Board in consultation with other Boards of the Council. It includes hearings with local government but does not officially include public consultation.
PI-18.3 Timing of budget approval	A	Budget approvals for 2017, 2018, and 2019 was made before FY end.
PI-18.4 Rules for budget adjustment by the executive	A	The CCT's Provincial People's Committee is required by Law to seek People's Council approval on every budget adjustment.
<b>PILLAR V: PREDICTABILITY AND CONTROL IN BUDGET EXECUTION</b>		
<b>PI-19 TAX ADMINISTRATION</b>	<b>N/A</b>	Scoring method M2 (AV)
PI-19.1 Rights and obligations for tax measures	N/A	Administered by the National General Department of Taxation and the National General Department of Customs.
PI-19.2 Property tax register and value assessment	N/A	Administered by the National General Department of Taxation and the National General Department of Customs.
PI-19.3 Tax risk management, audit and investigations	N/A	Administered by the National General Department of Taxation and the National General Department of Customs.
PI-19.4 Tax arrears monitoring	N/A	Administered by the National General Department of Taxation and the National General Department of Customs.

<b>PI-20 ACCOUNTING FOR REVENUE</b>	<b>N/A</b>	Scoring method M1 (WL)
PI-20.1 Information on revenue collections	N/A	Administered by the National General Department of Taxation and the National General Department of Customs.
PI-20.2 Transfer of revenue collections	N/A	Administered by the National General Department of Taxation and the National General Department of Customs.
PI-20.3 Tax accounts reconciliation	N/A	Administered by the National General Department of Taxation and the National General Department of Customs.
<b>PI-21 PREDICTABILITY OF IN-YEAR RESOURCE ALLOCATION</b>	<b>A</b>	Scoring method M2 (AV)
PI-21.1 Consolidation of cash balances	A	All bank and cash balances are consolidated on a daily basis.
PI-21.2 Cash forecasting and monitoring	A	The Central State Treasury is responsible for centralized cashflow forecasting, with bottom-up forecasts provided by the City Treasury Office. A cash flow forecast is prepared for the FY and is updated at least monthly.
PI-21.3 Information on commitment ceilings	B	Spending units have their budget plans approved prior to 31 December of the previous year and are able to plan and commit their expenditure at any time in the current year according to the annually authorized budget. However, actual targeted transfers especially for public investments were not always made at the beginning of the year, the information is at least available quarterly in advance.
PI-21.4 Significance of in-year budget adjustments	A	In 2019, CCT made two budget adjustments, which were approved by the People's Council.
<b>PI-22. Expenditure arrears</b>	<b>A</b>	Scoring method M1 (WL)
22.1. Stock of expenditure arrears	A	There are no arrears found in the last three fiscal years.
22.2. Expenditure arrears monitoring	A	The city monitors late payments i.e. annual investment reports.
<b>PI-23 PAYROLL CONTROLS</b>	<b>D+</b>	Scoring method M1 (WL)
PI-23.1 Integration of payroll and personnel records	C	At city level, reconciliation of the payroll with personnel records is made every six months between Treasury and DoHA or line departments. Submission of all supporting documents for changes in personnel records is required. Staff hiring and promotion is checked against the approved budget prior to authorization.
PI-23.2 Management of payroll changes	A	At line department level, the personnel record is managed by personnel and organization division, while payroll is managed by finance and/or accounting division. The reconciliation between two divisions is made monthly, and the reconciliation profile is sent to Treasury to secure prompt payroll pay in the first 10 days of a month as required by the Labor Code. A directly linked system to support reconciliation practice is not available.
PI-23.3 Internal control of payroll	A	Payroll and personnel records were updated every six months at the departmental level, but monthly at spending agency level in 2019. Retroactive adjustment accounted for 2% of the city's 2019 salary payment.

PI-23.4 Payroll audit	D	Changes in personnel records in spending agencies are controlled by the competent authority. Payroll adjustments are only made based on these records. Agency heads are personally responsible for the accuracy and eligibility of all changes in personnel and payroll records. DoHA is the last resort for verifying personnel information attached to any payroll finance list.
<b>PI-24 PROCUREMENT</b>	<b>B+</b>	Scoring method M2 (AV)
PI-24.1 Procurement monitoring	A	Databases or records are maintained for all contracts including data on what has been procured, value of procurement, and who was awarded contracts. Procurement plans are published on the e-procurement website and compare well to factual plans. Data related to contracts procured via the e-procurement system are saved and accessible in the e-archive of <a href="http://muasamcong.mpi.gov.vn/">http://muasamcong.mpi.gov.vn/</a> . All other contracts are paper-based and are filed, which makes it difficult to retrieve the data for monitoring.
PI-24.2 Procurement methods	A	All agencies follow an open competitive method by default as per the law. However, single source contracting (non-competitive method) represents 12% of the total value of all public contracts concluded in 2019 according to a CCT People's Committee report. The non-competitive method is often used when values are below the thresholds specified by PPL.
PI-24.3 Public access to procurement information	B	The e-procurement website makes the following available in a timely manner: legal framework for procurement, procurement plan for 2020, realization of procurement operation for 2019, bidding opportunities, and contract awards. Procuring entities have full access to information. The public, however, can only access information on packages procured via the e-procurement system and procuring entities.
PI-24.4 Procurement complaints management	B	The procurement complaints system meets 3 out of 6 criteria. No complaint was received by the CRC in 2019.
<b>PI-25 INTERNAL CONTROL ON NONSALARY EXPENDITURES</b>	<b>A</b>	Scoring method M2 (AV)
PI-25.1 Segregation of duties	B	Segregation of duties is required throughout the entire spending process between authorization, recording, and audit, but not for custody of assets.
PI-25.2 Effectiveness of expenditure commitment controls	A	Expenditure can be made only after its estimates are approved by competent authority. Expenditure commitment control must be made and strictly managed by State Treasury for any recurrent spending item valued from VND 200 million or capital from VND 1 billion.
PI-25.3 Compliance with payment rules and procedures	A	Payment procedure via the Treasury system have been set up. Exceptional cases are clearly defined. All payments are controlled by the Treasury system in full compliance with existing regulations. Periodical audit is made to scrutinize compliance.
<b>PI-26 INTERNAL AUDIT</b>	<b>D</b>	Scoring method M1 (WL)

PI-26.1 Coverage of internal audit	D	No internal audit has been performed. The function is not yet legally set up.
PI-26.2 Nature of audits and standards applied	N/A	No internal audit has been performed.
PI-26.3 Implementation of internal audits and reporting	N/A	No internal audit has been performed.
PI-26.4 Response to internal audits	N/A	No internal audit has been performed.
<b>PILLAR VI: ACCOUNTING AND REPORTING</b>		
<b>PI-27 FINANCIAL DATA INTEGRITY</b>	<b>B+</b>	Scoring method M2 (AV)
PI-27.1 Bank account reconciliation	A	Effective daily reconciliation. All CCT Treasury accounts transfer balances to the National Single Treasury Account at the end of the day.
PI-27.2 Suspense accounts	A	Accounting suspense accounts are cleared within three working days and have zero balance at year end. "Account waiting for decisions" of authorities are reconciled monthly and cleared immediately when the decision is made.
PI-27.3 Advance accounts	B	Reconciliation of advance accounts is performed quarterly within one month from the end of each quarter. Advances to staff are cleared within a month. Advances to contractors are cleared upon work in progress.
PI-27.4 Financial data integrity processes	B	Access to data is restricted to authorized persons. Historical data change is not permitted. Data correction is made in form of new accounting entries and has audit trail. The role of verifying financial data integrity is embedded in each recording and reporting entity instead of being independent.
<b>PI-28 IN-YEAR BUDGET REPORTS</b>	<b>B+</b>	Scoring method M1 (WL)
PI-28.1 Coverage and comparability of reports	B	The in-year budget reports allow direct comparison to the original budget with partial aggregation. Coverage and classification of data allow direct comparison to the original budget with partial aggregation. Expenditure made from transfers to de-concentrated units within the provincial government are included in the reports by administrative units at the aggregate level each department, sector, locality, and by field of expenditure.
PI-28.2 Timing of in-year budget reports	A	Reports are available monthly in the second week of the subsequent month.
PI-28.3 Accuracy of in-year budget reports	B	Data reliability and preciseness is secured since data is extracted directly from the TABMIS system. However, expenditure is only shown at the payment stage.
<b>PI-29 ANNUAL FINANCIAL REPORTS</b>	<b>C+</b>	Scoring method M1 (WL)
PI-29.1 Completeness of annual financial reports	B	The budget execution report is on cash basis and does not contain information on assets, liabilities, and cash balances. Unspent budget carried forward from the previous year is recorded as revenue, causing confusion. The city prepared accrual accounting financial statements for FY 2018 and FY 2019. These financial statements are not audited and not published.
PI-29.2 Submission of reports for external audit	C	The city budget execution report is submitted to SAV-5 within seven months after FY end.

PI-29.3 Accounting standards	B	The national accounting guidelines are used consistently and transparently by the city. But the guidelines have significant deviations from IPSAS.
<b>PILLAR VII: EXTERNAL SCRUTINY AND AUDIT</b>		
<b>PI-30 EXTERNAL AUDIT</b>	<b>B++</b>	Scoring method M1 (WL)
PI-30.1 Audit coverage	A	Audit opinion is provided for the budget execution report which comprises all city agencies' revenue and expenditure. The audit report highlights all material issues of compliance, ineligible expenditure, and internal controls.
PI-30.2 Submission of audit reports to the subnational council	B	SAV-5 submitted audit reports to the CCT People's Council within 4 months.
PI-30.3 External audit follow-up	A	The follow up and enforcement of audit recommendations is provided by State Audit Law and SAV decision. Implementation rate is more than 90% every year.
PI-30.4 Independence of the public audit institution in charge of subnational governments	A	The regional SAV office is independent institutionally, operationally and financially from CCT as provided by the Constitution 2013 and State Audit Law 2015.
<b>PI-31 LEGISLATIVE SCRUTINY OF AUDIT REPORTS</b>	<b>D</b>	Scoring method M2 (AV)
PI-31.1 Timing of audit report scrutiny	D	The People's Council does not issue any report on scrutiny of audit reports.
PI-31.2 Hearings on audit findings	N/A	Hearings are organized at the exit meeting of every individual audit with the participation of the People's Council.
PI-31.3 Recommendations on audit by the legislature	N/A	The People's Council does not issue any recommendations to the Executive based on audit reports.
PI-31.4 Transparency of legislative scrutiny of audit reports	N/A	The People's Council does not issue any report on scrutiny of audit reports.

## Annex 3. Summary of observations on the internal control framework

Internal Control Components and Elements	Summary of Observations
<b>1. Control Environment</b>	
<p>1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organization</p>	<p>The control environment to ensure personal and professional integrity and ethical values of management and staff is governed by various laws, including the Law on Anti-Corruption, the Law on Anti-Wastefulness and Thrift Practices, the Law on Cadres and Civil Servants, the Law on Public Employees, the Law on Inspection, the State Budget Law, and the Accounting Law.</p> <p>The above body of laws, in particular the Law on Anti-Wastefulness and Thrift Practices, requires the application of specific and rule-based norms, policies, and standards in the use of public resources for control purposes, including strict sanctions and rewards as well as transparency and accountability requirements.</p> <p>The CCT complies with the national laws by default and by issuing its own action programs, for example the Action Program on Anti-Wastefulness and Thrift Practices. The sub-national regulations and internal regulations are also adequately issued to support both internal financial controls and top-down controls.</p> <p>The current compliance-based approach supports continuous improvement in the control environment as reflected in control activities measured by PI-19, PI-21, PI-23, PI-24, PI-25, and PI-27.</p>
<p>1.2 Commitment to competence</p>	<p><b>No information available from the SNG PEFA assessment.</b> However, the general understanding of the assessment team is that both senior and junior level staff possess the necessary academic qualification and experience. The SNG supports staff to continue education and to acquire professional qualifications with exposure to international practices and environment.</p>
<p>1.3 The 'tone at the top' (i.e. management's philosophy and operating style)</p>	<p>The Law on Cadres and Civil Servants (Article 10) specifies the following obligations of the head of a public institution:</p> <ul style="list-style-type: none"> <li>Oversee and arrange for the delivery of assigned tasks and be responsible for the performance of the institution;</li> <li>Monitor, supervise, and provide guidance for civil service delivery by cadres and civil servants;</li> <li>Arrange for the implementation of measures on anti-bureaucracy, anti-corruption, and anti-wasteful and thrift practices and be individually responsible in any case of red tape, corruption, or wasteful practice in the institution;</li> <li>Arrange for the implementation of legislation on grassroots democracy, public office culture in the institution, and timely and strictly address any cadres and/or civil servants that are non-compliant, have bureaucratic or authoritative attitudes, or those causing trouble or burdening citizens;</li> <li>Respond to appeals and complaints, or escalate the cases to relevant authorities, in a timely and lawful manner;</li> <li>Carry out other obligations as required by laws.</li> </ul>

Internal Control Components and Elements	Summary of Observations
	<p>The Law on Public Employees (Article 18) specifies the following obligations of management staff:</p> <ul style="list-style-type: none"> <li>Oversee and arrange for the delivery of public services within his or her vested authorities;</li> <li>Maintain democracy, solidarity, and professional conduct within the responsible unit(s);</li> <li>Be responsible or jointly responsible for the professional conduct of public employees within his or her responsibilities;</li> <li>Develop human resources; efficiently manage and use the financial and physical resources assigned to the unit that he or she is responsible for;</li> <li>Arrange for the implementation of measures on anti-corruption and anti-wasteful and thrift practices within the unit that he or she is responsible for.</li> </ul>
1.4 Organizational structure	<p>The roles of various parties and individuals involved in the financial management control system are established in the State Budget Law, the Accounting Law, and other legislation, as well as the internal financial management and/or internal spending regulations established in each institution.</p> <p>Each institution is required to develop and update its organizational chart. The rights and responsibilities are well defined in writing, with consideration of segregation of duties in the assignment of tasks. Routine activities follow specifically established workflow processes, with proper cross-checking, cross-supervision, and reconciliation procedures. Institutional managers maintain regular internal meetings and contacts with staff members to review and guide operations, including for the prevention of frauds and errors.</p> <p>The current control feedback function rests with the inspection system, including financial inspectorate, sector-specific inspectorates, and the People's inspectorate established in each institution. The inspectorates only perform compliance checks, which is not comparable to internal audit. The internal audit function is not launched in CCT until 2021 (<b>PI-26 'D'</b>).</p>
1.5. Human resource policies and practices	<p>Human resources are recruited on the basis of academic qualification and ethical conduct. However, CCT may require substantial technical assistance to set up the internal audit function that should use a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control, and governance processes.</p>
<b>2. Risk Assessment</b>	
2.1 Risk identification	<p><b>Contingent liabilities and other fiscal risks are rated 'D' in PI-10.3.</b> CCT does not identify any contingent liabilities in the budget nor any other reports.</p> <p>By borrowing within the limits, not being engaged in any PPP projects, and not issuing any explicit guarantees, the city currently considers itself free from explicit fiscal risks.</p>
2.2 Risk assessment (significance and likelihood)	No information available from the SNG PEFA assessment
2.3 Risk evaluation	No information available from the SNG PEFA assessment
2.4 Risk appetite assessment	No information available from the SNG PEFA assessment

Internal Control Components and Elements	Summary of Observations
2.5 Responses to risk (transfer, tolerance, treatment, or termination)	<p><b>No information available from the SNG PEFA assessment.</b> Regarding fiscal risk, however, it is reported to the assessment team that the city uses its budget contingency provision (2-4% of its budget) and the Provincial Financial Reserve Fund to finance losses caused by unforeseen events. In case all the contingency reserves are exhausted, the city will call upon the central government for support.</p>
<b>3. Control Activities</b>	
3.1 Authorization and approval procedures	<p>Control activities are prescribed in roles and responsibilities of individuals involved in transactions using public resources in order to meet the objectives of every budget institution. This can be seen by reference to the following Pls:</p> <p><b>Financial data integrity processes are rated 'B' in PI-27.4.</b> Access and changes to TABMIS records are restricted to authorized persons and result in audit trails. The role of verifying financial data integrity is embedded in each recording and reporting entity instead of being independent.</p> <p><b>Effectiveness of expenditure commitment controls is rated 'A' in PI-25.2.</b> The State Treasury registers and controls commitments for recurrent expenditure above VND 200 million and capital expenditure above VND 1 billion. No payment can be made without registered commitments. However, commitments are only registered within 10 days from the dates of contracting, hence the State Treasury is unable to control the risk that an entity informally over-commits resources to a certain contractor. Commitment control is non-existent at entity level.</p> <p><b>Integration of payroll and personal records is rated 'C' in PI-23.1.</b> Information on manning tables, personnel, and labor remuneration is accounted for separately. Payrolls and personnel records are reconciled and updated every six months between Treasury and DoHA or line departments, every month at unit level. Monthly personnel and payroll records are checked by the State Treasury before payments are processed but not by directly linked systems.</p> <p><b>Management of payroll changes is rated 'A' in PI-23.2.</b> Personnel records are updated semi-annually with few retroactive changes.</p> <p><b>Internal control of payroll is rated 'A' in PI-23.3.</b> Heads of budget institutions are responsible for the integrity and accuracy of payroll records submitted to the State Treasury. Budget institutions have clear and detailed rules and procedures for making changes to staff information and payroll, which include signatures of authorized persons. Personnel promotion and payroll records are published among all staff members of a budget institution.</p> <p><b>Investment project selection is rated 'D' in PI-11.2.</b> The projects are prioritized in the medium-term investment plan by the DPI based on the clear criteria in the Public Investment Law. Projects are selected annually based on the revenue forecast and feasibility of implementation. The criteria for the project selection in the annual investment program is not clearly defined nor published.</p>



Internal Control Components and Elements	Summary of Observations
	<p><b>Transparency of asset disposal is rated 'B' in PI-12.3.</b> There is a clear procedure issued by the central government related to asset disposal. The People's Committee needs to approve the transfer/disposal of assets with value above VND 500 million.</p> <p><b>Approval of debt and guarantees is rated 'A' in PI-13.2.</b> The Debt Management Law and guiding regulation clearly stipulates the procedure for issuing new debt and guarantees as well as the approving authority of new debts.</p>
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	<p><b>Segregation of duties is rated 'B' in PI-25.1.</b> Appropriate segregation of duties exists, in accordance with legislation, which specifies clear responsibilities, with some concerns about asset management duties.</p>
3.3 Controls over the access to resources and records	<p><b>Compliance with payment rules and procedures is rated 'A' in 25.3.</b> Compliance with payment rules and procedures is very high.</p> <p><b>Financial data integrity processes are rated 'B' in 27.4.</b> Access to data is restricted to authorized persons. Historical data change is not permitted. Data correction is made in the form of new accounting entries and has an audit trail. The role of verifying financial data integrity is embedded in each recording and reporting entity instead of being independent.</p>
3.4 Verifications	<p><b>Accuracy of in-year budget reports which is rated 'B' in PI-28.3.</b> Data reliability and preciseness is secured since data is extracted directly from the TABMIS system. However, expenditure is only shown at the payment stage.</p> <p>Annually, the final accounts of state budget revenue and expenditure are verified by upper tier budget institutions and by the DoF. The State Treasury is responsible for verification of all transactions at payment stage.</p>
3.5 Reconciliations	<p><b>Bank account reconciliation is rated 'A' in 27.1.</b> Effective daily reconciliation. All CCT Treasury accounts transfer balances to National Single Treasury Account at the end of the day.</p> <p><b>Suspense account reconciliation is rated 'A' in 27.2.</b> Accounting suspense accounts are cleared within 3 working days and have zero balance at year end. "Account waiting for decisions" of authorities are reconciled monthly and cleared immediately when the decision is made.</p> <p><b>Advance account reconciliation is rated 'B' in 27.3.</b> Reconciliation of advance accounts is performed quarterly within one month from the end of each quarter. Advances to staff are cleared within a month. Advances to contractors are cleared upon work in progress.</p>
3.6 Reviews of operating performance	<p>Performance evaluation for service delivery is rated 'D' in PI-8.4.</p>
3.7 Reviews of operations, processes and activities	<p>No information available from the SNG PEFA assessment.</p>
3.8 Supervision (assigning, reviewing, and approving, guidance and training)	<p><b>No information available from the SNG PEFA assessment.</b> The audit trail in place indicates a supervisory focus. Staff are appropriately qualified.</p>
<p><b>4. Information and Communication</b></p>	

Internal Control Components and Elements	Summary of Observations
4.1. Information and Communication	<p>Information and communication campaigns for awareness and improvement of controls, transparency, and accountability are required by the Law on Anti-Corruption and the Law on Anti-Wastefulness and Thrift Practices.</p> <p>All agencies are required to report monthly, quarterly, and annually to the People's Committee. Vertical information flows are regular. Financial transactions and other economic events are properly recorded in compliance with appropriate book-keeping regimes.</p>
<b>5. Monitoring</b>	
5.1 Ongoing monitoring	<p>Upper-tier line management agencies and financial/sector inspectorates are tasked to assist institutional managers in the ongoing monitoring of internal control by regular administrative examination or inspection visits of the organizational structure, human and financial management, and operations. This is illustrated in the following PIs.</p> <p><b>Resources received by service delivery units is rated 'A' in PI-8.3.</b></p> <p><b>Monitoring of SNGs is rated 'C' in PI-10.2.</b> Districts prepare budget executed reports on an annual basis but less than half of them are audited in a year. All budget executed reports, both audited and unaudited, are submitted to the People's Council of the same level for review and approval. They are disclosed after the People's Council approves the reports, usually in November of the following year.</p> <p><b>Investment project monitoring is rated 'C' in PI-11.4.</b> The project implementing agencies prepare and submit bi-annual reports to the DPI for review and consolidation but these reports are not published.</p> <p><b>Quality of SNG financial asset monitoring is rated 'C' in 12.1.</b> The city records financial assets in the financial statement of the city. These assets are recorded at book value.</p> <p><b>Quality of SNG non-financial asset monitoring is rated 'C' in 12.2.</b> The city uses a registry of fixed assets that are above VND 500 million. However, there is not a full registry of land and subsoil assets. The fixed assets are consolidated in a report and published annually.</p>

Internal Control Components and Elements	Summary of Observations
	<p><b>Procurement monitoring is rated 'C' in 24.1.</b> Databases or records are maintained for all contracts including data on what has been procured, the value of procurement, and who was awarded the contracts. Procurement plans are published on the e-procurement website and compare well to factual plans. The data is saved and accessible in the e-archive of <a href="http://muasamcong.mpi.gov.vn/">http://muasamcong.mpi.gov.vn/</a> for all contracts that have been procured via the e-procurement system, the remaining contracts are paper-based and are filed, which makes retrieving the data for monitoring difficult.</p> <p><b>Expenditure arrears monitoring is rated 'A' in PI-22.2.</b> The State Treasury make sure that there is always cash available for all eligible expenditure. There are no concerns about expenditure arrears, but there is no system in place to monitor arrears.</p> <p><b>Internal audit is rated 'D' in PI-26.</b> The internal audit function is not yet launched in CCT. The current control feedback function rests with the inspection system.</p>
5.2 Evaluations	Performance evaluation for service delivery is rated 'D' in PI-8.4.
5.3 Management responses	<p><b>No information is available from the SNG PEFA assessment.</b> Management responses to audit and inspections findings are not documented. Instead, the management prepare reports on implementation of findings and submit them to the auditor/inspector.</p> <p><b>Responses to internal audit are rated 'N/A' in PI-26.4</b> as the internal audit function is not in place yet.</p>

## Annex 4. Evidence for scoring indicators

Performance Indicators	Evidence
HLG-1. Transfers from an HLG	Evidence for budgeted and actual transfer is provided.
1. Aggregate expenditure out-turn	Budget estimates and final accounts for the years 2017, 2018, and 2019 were provided by the Department of Finance
2. Expenditure composition out-turn	Budget estimates and final accounts for the years 2017, 2018, and 2019 were provided by the Department of Finance
3. Revenue out-turn	Budget estimates and final accounts for the years 2017, 2018, and 2019 were provided by the Department of Finance
4. Budget classification	Table of figures for estimation, budget implementation and budget settlement in 2019 provided by the Department of Finance.
5. Budget documentation	Information on Budget deficit and deficit financing (debt stock, borrowing and debt service plan) attached with budget documents submitted to the City People's Council.
6. SNG operations outside financial reports	Data for Table 6.1 and 6.2 Checklist of the content of 2019 outturn report of ten sampled agencies presented in Table 6.1 and 6.2 and their date of report submission to DoF/Treasury
7. Transfers to SNGs	N/A
8. Performance information for service delivery	2020 development plans of: -an upper-secondary school, DOET and Can Tho University of Technology and Techniques (CUTT). -a provincial hospital and DOH -Rural Environmental Hygiene & Clean Water Center and Can Tho City Agricultural Service Center and DARD (Most priority: 2020 development plans of 3 departments: DOET, DOH and DARD) 2019 performance reports of: -an upper-secondary school, DOET and Can Tho University of Technology and Techniques (CUTT). -a provincial hospital and DOH -Rural Environmental Hygiene & Clean Water Center and Can Tho City Agricultural Service Center and DARD (Most priority: 2020 development plans of 3 departments: DOET, DOH and DARD) Resources actually received by all PSDUs (schools and health clinic) in two departments (DOET and DOH), disaggregated by sources of fund.
9. Public access to fiscal information	Submission date of the executive's 2019 budget proposal to the City People's Council and date of its public disclosure. Disclosure date of the 2019's fourth quarter budget execution report.
9B2. Public consultation in the design of service delivery programs	Evidence of public consultation for two service delivery programs: bird farming (in agriculture sector) and tuition fee (in education sector).
10. Fiscal risk reporting	Financial reports of the districts submitted to the DoF and their date of submission. Financial reports of the SOEs submitted to the DoF and their date of submission.

Performance Indicators	Evidence
11. Public investment management	<p>Medium-term investment plan for the period 2016-2020.</p> <p>List of 10 largest public investment projects in Can Tho city in the period 2016-2020.</p> <p>Sample project proposal and appraisal report, feasibility study and appraisal report and completion report of one public investment project (Huynh Phan road).</p> <p>Public investment monitoring report (Report No. 407) of Can Tho in 2019.</p> <p>Resolution 09/2015 on the capital allocation norms for Can Tho during 2016-2020.</p>
12. Public asset management	<p>Registry of public assets in Can Tho including official building, vehicles, assets that are greater than VND 500 million.</p> <p>Registry of road assets (screenshots).</p> <p>Registry of irrigation assets (screenshots).</p> <p>Report of total public assets of Can Tho submitted to the MOF in 2019.</p>
13. Debt management	Detailed report on the bi-annual borrowing and debt payment of CCT.
14. Medium-term budget strategy	<p>CCT 3 year financial and budgetary plan for 2020-2022.</p> <p>3 year financial and budgetary plan for 2019-2021 and 2020-2022 of five largest departments (in terms of share of its total budget in SNG budget).</p> <p>Large recurrent expenditure proposals in the last five years, minutes of review panels, and submission dates to City People's Council.</p> <p>Submission dates of investment intention proposals of (i) Vam Xang bridge construction project; (ii) Provincial road 922 project; (iii) Rural Water Supply System project; and (iv) Traditional Medicine Hospital project to the City People's Council.</p>
17. Budget preparation process	<p>Can Tho Provincial People's Committee's guidance on budget proposal 2019.</p> <p>Can Tho City-wide budget proposal submitted by Provincial People's Committee to MoF in 2019.</p> <p>Final budget proposal submitted by Can Tho Provincial People's Committee to Can Tho People's Council in 2017, 2018 and 2019.</p>
18. Legislative scrutiny of budgets	<p>CCT People's Council's Resolution 36/NQ-HĐND to decide the budget estimate for CCT revenue and expenditure in 2020.</p> <p>CCT People's Council's document No. 492/BC-HĐND on November 29, 2019, to scrutinize the People's Committee Report on 2019 budget execution, 2020 annual budget plan, and three-year financial plan 2020-2022.</p> <p>CCT People's Council's Resolutions to approve annual budget for CCT for 2020, 2019, 2018 on December 6, 2019, December 7, 2018, and December 6, 2017, respectively.</p>
19. Revenue administration	<b>N/A</b>
20. Accounting for revenue	<b>N/A</b>
21. Predictability of in-year resource allocation	<p>Article 52 of the Law on State Budget 2015.</p> <p>Circular No. 58/2019 / TT-BTC dated August 30, 2019.</p> <p>Circular No. 314/2016/TT-BTC, dated November 28, 2016.</p>
22. Expenditure arrears	<p>Report on the capital investment allocation and disbursement report submitted by State Treasury to the People's Committee.</p> <p>Report 110 on the disbursement of capital investment in 2019.</p>

Performance Indicators	Evidence
23. Payroll controls	<p>Evidence of monthly reconciliation of payroll and personnel record procedures between Treasury and City-level spending agencies as defined in Circular 161/2012 and Circular 39/2016: Using one document package as example and providing dates of sending documents from a Department to Treasury every month in 2019.</p> <p>A copy of a profile with DOHA's verification of assigned staff list in payroll documents sent by a line department to Treasury as defined in Letter 118/SNV-TCBC issued by DOHA.</p> <p>A copy of a profile with line Department Director's verification of assigned staff list in payroll documents sent by a line department managed PSDU to Treasury as defined in Letter 118/SNV-TCBC issued by DOHA.</p> <p>Total City payroll in 2019 and total retroactive adjustment in 2019.</p> <p>State Audit Report on 2017 and 2018 Can Tho SNG budget.</p>
24. Procurement management	<p>Vietnam Electronic Procurement System (VNEPS).</p> <p>DPI's annual report on provincial procurement activities sent to the People's Committee and MPI for the year 2019, dated February 19, 2020.</p>
25. Internal controls on non-salary expenditure	<p>The report on recurrent and capital expenditure control in 2020.</p> <p>One letter on payment refusal due to violation of expenditure control regulation in 2020.</p>
26. Internal audit	N/A. The function does not exist in CCT.
27. Financial data integrity	<p>Circular 62/2020/TT-BTC dated June 22, 2020, on control of recurring expenditures.</p> <p>Circular 58/2019/TT-BTC dated August 30, 2019, on management and use of the State Treasury's accounts opened at the State Bank of Vietnam and commercial banks.</p> <p>Circular 123/2014/TT-BTC dated August 27, 2014, on operation of TABMIS.</p> <p>Daily, monthly, quarterly, and annual reports generated in TABMIS of State Treasury.</p> <p>Reconciliation reports prepared by State Treasury.</p>
28. In-year budget reports	Report on the current state of the budget in the year compared to the assigned budget in 2019 provided by the DoF.
29. Annual financial reports	<p>CCT annual budget execution reports prepared by DoF 2017, 2018, 2019.</p> <p>CCT annual financial statements prepared by State Treasury 2018 and 2019.</p>
30. External audit	<p>CCT audit reports 2017, 2018, 2019 issued by State Audit of Vietnam – Regional office.</p> <p>Specific purpose audit reports issued by SAV for Can Tho Maternity Hospital and Can Tho College 2019.</p>
31. Legislative scrutiny of audit reports	N/A. This function is not performed by Can Tho People's Council.

## Annex 5. Calculation of budget outturns for HLG-1, PI-1, PI-2 and PI-3

Variance in different types of expenditure

Table 1 - Fiscal years for assessment

Year 1 =	2017
Year 2 =	2018
Year 3 =	2019

Table 2 – Budget outturns

Unit: VND million

Administrative head	2017					
	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
ODA Project Management Unit	1,420,029	1,004,143	1,215,754	-211,611	211,611	17.4%
Construction Investment Project Management Unit	756,273	315,019	647,481	-332,462	332,462	51.3%
Department of Transport	349,199	345,136	298,965	46,171	46,171	15.4%
General Hospital	313,282	97,446	268,215	-170,769	170,769	63.7%
Irrigation Department	230,410	228,657	197,265	31,391	31,391	15.9%
Department of Health	218,140	214,807	186,760	28,047	28,047	15.0%
Military Command of Can Tho City	194,734	185,941	166,721	19,220	19,220	11.5%
Construction Investment Project Management Unit 2	187,255	136,534	160,318	-23,784	23,784	14.8%
Department of Education and Training	168,260	155,234	144,055	11,178	11,178	7.8%
City Police & Fire Police	157,373	142,962	134,734	8,227	8,227	6.1%
Department of Culture, Sports and Tourism	124,876	109,139	106,912	2,227	2,227	2.1%
Can Tho Vocational College	93,621	80,675	80,153	522	522	0.7%
Department of Natural Resources and Environment	68,592	67,649	58,724	8,924	8,924	15.2%
Center for Rural Water Supply and Sanitation, Can Tho City	68,303	67,880	58,477	9,402	9,402	16.1%
Department of Labor, War Invalids and Social Affairs	46,750	41,729	40,025	1,704	1,704	4.3%
Department of Science and Technology	44,304	15,662	37,931	-22,269	22,269	58.7%
College of Technical Economics	40,918	26,935	35,032	-8,097	8,097	23.1%
Children's Hospital	37,643	37,603	32,228	5,376	5,376	16.7%

Administrative head	2017					
	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Sports Center	35,623	33,591	30,499	3,092	3,092	10.1%
Transfer to the district budget	3,529,958	3,529,958	3,022,163	507,795	507,795	16.8%
Sum of rest	1,297,220	1,196,327	1,110,611	85,716	85,716	7.7%
allocated expenditure	9,382,762	8,033,025	8,033,025	0	1,568,839	
interests	653	653				
contingency	459,575	329,053				
-contingency (as per the State Budget Law)	160,928	30,406				
-unallocated budget (e.g. asset purchase)	298,647	298,647				
total expenditure	9,842,990	8,064,083				
aggregate outturn (PI-1)						81.93%
composition (PI-2) variance						19.15%
contingency share of budget						3.34%



Table 3

Unit: VND million

Administrative head	2018					
	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
ODA Project Management Unit	1,997,544	1,036,521	1,516,091	-479,570	479,570	31.6%
Construction Investment Project Management Unit	1,663,168	424,449	1,262,307	-837,858	837,858	66.4%
Department of Natural Resources and Environment	252,348	182,325	191,526	-9,202	9,202	4.8%
Department of Health	245,950	162,003	186,671	-24,668	24,668	13.2%
Department of Transport	192,877	186,300	146,389	39,911	39,911	27.3%
Department of Agriculture and Rural Development	175,025	147,532	132,840	14,692	14,692	11.1%
Construction Investment Project Management Unit 2	156,203	142,819	118,555	24,264	24,264	20.5%
Can Tho city police	146,651	140,198	111,305	28,893	28,893	26.0%
Military Command of Can Tho City	145,667	145,977	110,558	35,419	35,419	32.0%
City Party Office of Can Tho City	143,452	122,787	108,877	13,911	13,911	12.8%
Department of Education and Training	122,227	129,391	92,768	36,623	36,623	39.5%
Department of Culture, Sports and Tourism	88,912	67,969	67,482	486	486	0.7%
Department of Labor, War Invalids and Social Affairs	86,384	68,965	65,564	3,401	3,401	5.2%
Can Tho Vocational College	69,632	66,897	52,849	14,048	14,048	26.6%
Irrigation Department	60,250	52,604	45,728	6,875	6,875	15.0%
Social policy bank	40,070	40,070	30,412	9,658	9,658	31.8%
Sports Center	37,467	35,801	28,437	7,365	7,365	25.9%
Can Tho College of Technical Economics	37,023	45,922	28,100	17,823	17,823	63.4%
Department of Science and Technology	31,614	14,883	23,994	-9,111	9,111	38.0%
Transfer to the district budget	3,565,622	3,565,622	2,706,227	859,396	859,396	31.8%
Sum of rest	1,279,587	1,218,821	971,178	247,643	247,643	25.5%
allocated expenditure	10,537,674	7,997,856	7,997,856	0	2,720,816	
interests	12,400	11,452				
contingency	192,729	111,241				
-contingency (as per the State Budget Law)	128,129	46,641				
-unallocated budget (e.g. asset purchase)	64,600	64,600				
total expenditure	10,742,803	8,055,949				
aggregate outturn (PI-1)						74.99%
composition (PI-2) variance						34.02%
contingency share of budget						1.04%

Table 4

Unit: VND million

Administrative head	2019					
	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
ODA Project Management Unit	1,094,482	743,658	958,698	-215,040	215,040	22.4%
Department of Health	1,000,574	384,916	876,440	-491,524	491,524	56.1%
Construction Investment Project Management Unit	505,022	614,662	442,368	172,295	172,295	38.9%
Department of Agriculture and Rural Development	373,082	207,600	326,797	-119,197	119,197	36.5%
Construction Investment Project Management Unit 2	218,566	164,179	191,450	-27,271	27,271	14.2%
Department of Education and Training	189,624	132,116	166,099	-33,983	33,983	20.5%
Department of Transport	165,404	158,012	144,883	13,129	13,129	9.1%
Military Command of Can Tho City	148,223	145,333	129,834	15,499	15,499	11.9%
City Party Office of Can Tho City	118,693	121,277	103,968	17,309	17,309	16.6%
Can Tho city police	97,630	110,224	85,518	24,707	24,707	28.9%
Department of Natural Resources and Environment	89,927	74,185	78,771	-4,586	4,586	5.8%
Department of Culture, Sports and Tourism	76,459	80,236	66,973	13,263	13,263	19.8%
Department of Labor, War Invalids and Social Affairs	56,570	52,605	49,551	3,054	3,054	6.2%
Department of Construction	56,057	54,011	49,103	4,908	4,908	10.0%
Irrigation Department	48,927	46,303	42,857	3,446	3,446	8.0%
Can Tho Vocational College	45,668	42,559	40,002	2,557	2,557	6.4%
Social policy bank	42,123	42,123	36,897	5,226	5,226	14.2%
Department of Industry and Trade	40,936	18,735	35,857	-17,122	17,122	47.8%
Sports Center	40,078	36,297	35,106	1,191	1,191	3.4%
Transfer to the district budget	4,375,801	4,375,801	3,832,929	542,872	542,872	14.2%
Sum of rest	1,311,956	1,238,460	1,149,192	89,268	89,268	7.8%
allocated expenditure	10,095,802	8,843,294	8,843,294	0	1,837,096	
interests	45,816	40,569				
contingency	357,951	267,602				
-contingency (as per the State Budget Law)	166,275	75,926				
-unallocated budget (e.g. asset purchase)	191,676	191,676				
total expenditure	10,499,569	8,959,789				
aggregate outturn (PI-1)						85.33%
composition (PI-2) variance						20.55%
contingency share of budget						2.55%

Table 5 - Results Matrix

year	for PI-1.1	for PI-2.1	for PI-2.3
	total exp. Outturn	composition variance	contingency share
2017	81.79%	20.77%	
2018	74.99%	34.02%	2.31%
2019	85.33%	20.77%	

## Annex 6. List of people interviewed

No	Institution	Person	Position
1	Department of Finance	Mr. Nguyen Quang Nghi	Director General
2	Department of Finance	Ms. Truong Thi Phuong Nga	Officer, Budget Management Division
3	Department of Finance	Ms. Trinh Xuan Nhi	Officer, Budget Management Division
4	Department of Finance	Ms. Nguyen Thi Hong Hanh	Deputy Head, Corporate Finance Division
5	Department of Finance	Ms. Ly Minh Hang	Deputy Head, Budget Management Division
6	Department of Finance	Mr. Vuong Ngoc Vu	Head, Budget Management Division
7	Department of Finance	Ms. Le Thi Manh Hong	Deputy Head, HR and Admin division
8	Department of Finance	Ms. Tran Thi Be Bay	Officer, Public Asset Price Management Division
9	Department of Finance	Ms. Vu Thi Thanh Hoa	Officer, Public Asset Price Management Division
10	Department of Finance	Mr. Nguyen Hoang Anh	Officer, Public Asset Price Management Division
11	Department of Finance	Ms. Nguyen Thi Phuong Anh	Deputy Head, Inspectorate
12	Department of Agricultural and Rural Development	Mr. Nguyen Tan Nhon	Deputy Director General
13	Department of Agricultural and Rural Development	Ms. Luong Thi Thu Van	Chief Accountant
14	Department of Agricultural and Rural Development	Ms. Nguyen Thi Bich Ngoc	Officer
15	Department of Education and Training	Ms. To Thi Hong Ngan	Chief Accountant
16	Department of Education and Training	Mr. Huynh Bao Quoc	Officer
17	Department of Education and Training	Ms. Do Thanh Tu	Officer
18	Department of Health	Ms. Tu Thi Thu Hanh	Chief Accountant
19	Department of Planning and Investment	Mr. Nguyen Thanh Hai	Deputy Director General
20	Department of Planning and Investment	Mr. Nguyen Tran Tinh	Officer
21	Department of Planning and Investment	Mr. Le Huynh Thong Tin	Officer
22	City People's Council	Mr. Vo Anh Huy	Head of Economic and Budget Division
23	City People's Council	Ms. Nguyen Hoai Phuong	Officer
24	Tax Department	Mr. Huynh Tan Phat	Deputy Director General
25	Tax Department	Ms. Nguyen Thi Ngoc Dieu	Officer
26	Can Tho State Treasury	Ms. Nguyen Thi Minh Thu	Officer
27	Can Tho State Treasury	Mr. Tran Chi Tam	Deputy Head, Expenditure Control Division
28	State Audit of Vietnam – Region Office No. V	Mr. Do Hue Tung	Head, Audit Division