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RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF THE
NATURAL DISASTER RISK MANAGEMENT PROJECT
SEPTEMBER 15, 2005
TO THE
SOCIALIST REPUBLIC OF VIETNAM

May 31, 2012

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
ICB	International Competitive Bidding
IDA	International Development Association
MARD	Ministry of Agriculture and Rural Development

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**VIET NAM
NATURAL DISASTER RISK MANAGEMENT PROJECT**

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VIET NAM- NATURAL DISASTER RISK MANAGEMENT PROJECT (P0733610)
CREDIT NO. 4114-VN

Extension of Closing Date

1. The closing date for Credit No.4114-VN under the *Natural Disaster Risk Management Project* will be extended by 28 days from May 31, 2012 to June 28, 2012 in order to allow continued implementation of the on-going purchase and installation of the hydro-metrology equipment for the Center for the Southern Hydro-Metrology under Component 1 of the project (Control Number 19HD-TB1/2012, 01316940) under the Disbursement Category (2) of the amended Development Credit Agreement dated March 5, 2010. All other disbursement categories shall be closed as of May 31, 2012.
2. On June 23, 2011, the Borrower requested a 12 month extension to enable completion of the investments. The Bank granted an 11 month extension as it was considered that the project activities would be completed by May 31, 2012. However, on May 11, 2012, the Borrower requested to extend the closing date based on the aforementioned Government request in June 2011 to enable shipment and delivery of the goods from Italy and subsequent partial payment from the project. Due to the unforeseen delay in administration, the opening of the Letter of Credit for the supplier has been delayed, which has further affected the shipment for the equipment, and the contracts could not be completed before the current closing date.
3. The project has been jointly executed by the Ministry of Agriculture and Rural Development which is in charge of implementing three components and by the Ministry of Finance in charge of one component (dealing with post-disaster reconstruction support). The project was approved in September 2005, and became effective on May 29, 2006. The original closing date was June 30, 2010. In order to respond to the reconstruction needs resulting from the 2009 Typhoon Ketsana, an additional financing (AF) of US\$75 million was approved in August 2010, and became effective on November 8, 2010 and is supporting Vietnam address post-disaster reconstruction efforts.
4. There has been good progress in implementation during the last 10 months since June 2011, including: (a) good implementation of the post disaster reconstruction activities under the AF, (b) completion of all three major pending infrastructure subprojects under Component 1, (c) completion of the pending ICB procurement for hydromet and start of the implementation of the contract under Component 1. As of May 15, 2012, the total disbursement of the original IDA allocation (US\$91 million) reached about US\$86.5 million (or approximately 95 percent of the total original IDA allocation). The disbursement of the project's AF has reached about \$47 million or more than 60 percent of its value.
5. The proposed 28 day extension of the closing date would allow the supplier of the equipment to deliver the major part of the equipment to the Borrower, thus allowing the partial financing for the contract financed by the project. The supplier has already

shipped the equipment, and the equipment is scheduled to arrive in Vietnam in mid-June 2012. The proposed extension is considered to be critical to achieve one of the project's development objectives: *to reduce the vulnerability to flood and storm hazards in project areas.*

6. At present, the Bank is formulating a follow up disaster management project, Vietnam Managing Natural Hazards, scheduled to be presented to the Board of Directors in July 2012. It includes a component to further develop capacities for hydromet data collection and analysis. The proposed extension of the ongoing project would also lay an important basis for implementing the hydromet component under this follow up project.

7. The Project's development objective is still achievable, and implementation of the project has been moderately satisfactory and there are no significant issues related to either fiduciary or safeguards policies. There is no overdue audit report and financial management has been rated moderately satisfactory. The Borrower has also prepared an action plan dated May, 2012, stating the target date of the delivery of the goods, which is found to be considered applicable and sufficient for the purposes of this extension.

8. As of May 23, 2012, there are outstanding ineligible expenditures of about US\$236,000 equivalent, including salary supplements for government officials, some contract overpayments, incorrect financing percentages, and recruitment of ineligible consultants, identified through an independent review carried out in January 2012. The bulk of these ineligible expenditures derive from the misunderstanding of the Borrower as to the permissibility of the financing salary supplements of civil servants from the proceeds of the IDA credit. The Government of Vietnam has acknowledged these ineligible expenditures and has already started the process to make the refunds. On May 23, 2012, the Ministry of Agriculture and Rural Development sent a letter confirming the refund of the ineligible expenditures by June 14, 2012. In this context, it has been considered that the project has maintained acceptable financial management arrangements, and that the actions allowed for under Annex A to BP. 10.02 to withhold necessary extension of the closing date are not warranted, and therefore the proposed extension should not be withheld.

9. This will be the fourth extension of the project. As a result, a total extension period of 23 months and 28 days would be made from the original closing date.