

FINANCIAL SECTOR MODERNIZATION
AND INFORMATION MANAGEMENT SYSTEM

**REPORT ON PROJECT PROGRESS OF SECOND HALF - 2014 AND
PLAN FOR PROJECT IMPLEMENTATION OF FIRST HALF - 2015**

I. Main results of the Project implementation:

1. Implementing Action Plan for the second half of 2014:

Implementing Action Plan for the second half of 2014, PMU completed 7 out of 10 tasks including the most important task which is FSMIMS project extension to December 31st, 2016 and revision of Financing Agreement's contents. Additionally, SBV completed bidding process, selection of suppliers and signed 03 important contracts of goods packages of high value: SG3.2 and SG4 contracts under SBV component and DG1 contract under DIV component.

3 tasks have been in process:

- (i) Extension of ST1 contract: as recommended by WB in the letter dated January 13th, 2015, EY has been reviewing, clarifying and amending the plan of consultant resource for 02 coming years. On January 23rd, 2015, PMU sent the revised Addendum No. 6 with change log and table of comparison of proposed replaced consultants for WB review and NOL.
- (ii) Extension of DIV's DT1 contract with Nomura consultant: extension of DT1 contract will cause an increased cost for the consultant, DIV/PIU and Nomura have been discussing this issue before requesting for WB's approval. On January 30th, 2015, PIU requested for WB review and suggestion on DT1 consultant's tasks and additional cost for contract extension.
- (iii) ST3 contract signing: the delay in selection of consultant was caused by unclear contents relating to consultant's qualification in the short list. To late January, 2015. SBV completed the proposal evaluation. The evaluation report of technical and financial proposal was approved by WB and SBV Management. It is expected that SBV will negotiate with the consultant who has the highest combined score in February 4th, 2015.

2. Status of packages/contracts implementation:

• SBV and CIC component:

2.1. ST1 contract (SBV, CIC functional and process strengthening): in the second half of 2014, EY performed the following tasks: (i) supporting for preparation independent evaluation reports of SG3.2, SG4 and ST3; (ii) TOR for ST8 and ST9 packages; (iii) completed the semi-annual report for the first half of

2014 ending on June 30th, 2014. In January 2015, EY is preparing the semi-annual report for the second half of 2014 ending on December 31st, 2014). The contract expired from December 31st, 2014. PMU and EY coordinated to complete Addendum No. 6 of contract extension according to FSMIMS project extension. To date, PMU has been discussing with WB and requesting for WB's No-objection letter.

2.2. ST3 package (Consulting services for IT contract management and coordination): from early August, 2014, PMU started selection of consultant. To date, PMU has completed the combined evaluation of technical and financial proposal, prepared for negotiation with the consultant who had the highest combined score. It is expected that the negotiation with the consultant will be implemented in February 4, 2015.

2.3. ST5 contract (Procurement specialist): the first extension of the contract with the consultant to December 31st, 2014 was done. However, from reality in implementation, the consultant was found to be no longer necessary that was approved by WB and SBV Management. Therefore, the consultant and PMU agreed to terminate the contract in July 2014.

2.4. ST7 contract (Change management): in August, 2014, PMU completed selection of consultant. On December 29th, 2014, PMU signed contract with the bid winner – KDI Asia Pte Ltd (Singapore) and the consultant was mobilized for execution of the contract since January 2015. After kick-off meeting on January 12th, 2015, the consultant had meetings with SBV Deputy Governor Nguyen Toan Thang, PMU and beneficiary departments of SG3.1, SG3.2, SG4 and CG1 contracts. On January 20th, 2015, the consultant submitted inception report.

2.5. ST8 package (IT Standards for SBV): this is one of 02 packages splitted from SG3.3 "Supporting tools to automate the designed IT processes": ST8 – Consulting service and SG3.3 - Procurement of goods. This split was recommended and then approved by WB. PMU has been incorporating this split into the updated General Procurement Plan according to the revised Financing Agreement. In September 2014, PMU completed the draft TOR. To January 2015, WB issued NOL for the draft and Invitation for expression of interest. According to Action Plan, the Request for proposal (RFP) will be sent for WB's approval by late March, 2015.

2.6. ST9 package (Consultant for designing new data center): similar to ST8, this package is splitted from SG1.2 "ITDB's new data center". From April, 2014, PMU coordinated with ITDB and EY to prepare the draft TOR and estimated cost for consulting service (ST9) and discuss these documents with WB. Only when the updated GPP (as revised Financing Agreement) is approved, this package is officially implemented. According to Action Plan, ST9 RFP will be sent for WB' approval by late March, 2015.

2.7. SG1.1 contract (Servers, Middlewares, Database for SBV): in the second half of 2014, NEC-MITEC Joint-Venture cooperated with the imlementation team and PMU completed: (i) delivery, installation and

configuration of system under SG1.1 contract; (ii) configuring and supporting SG3.1 package; (iii) 6 out of 8 tasks "Commissioning and Operational Acceptance", ready infrastructure for software setting of other packages. To late January 2015, SG1.1 Supplier completed the configuration support to SG3.2 and SG4 packages on the testing and development environment.

Upon approval of WB and SBV Governor, on January 28th, 2015, PMU and NEC-MITEC Joint Venture signed Amendment No. 2 of the Contract on the time adjustment of 2 remaining tasks, payment rescheduling and the Contract Price adjustment due to cancellation of one training abroad.

2.8. SG3.1 contract (Core-banking, Accounting, Budgeting applications and System Integration): after kick-off meeting ceremony in August 2014, to date, the contractor completed tasks of the contract's early stage of which the completion of GAP Analysis was a key milestone. In January 2015, the contractor has turned to design stage.

Implementation status: GAP Analysis has been 1 month delayed (it is planned that the deadline for this milestone is December 20th, 2014). This phase was completed on January 19th, 2015. The cause for delay mentioned in Section II, item 2.

2.9. SG3.2 contract (Document Management & Human Resource Management for SBV): after bidding process, to October 25, 2014, PMU completed selection of supplier and signed the contract with the bid winner. From November 2014, the supplier was mobilized to the contract execution and to date, installation of base softwares in developing environment has been completed. The contract is on schedule.

2.10. SG4 contract (Data Management, Data Warehouse & related applications for SBV): after the bidding document was approved, PMU had started bidding process, selection of supplier as regulated. On October 30th, 2014, PMU signed the contract with the bid winner. From November 2014 to date, the supplier was mobilized to the contract execution and completed installation software solution in developing environment. The contract is on schedule.

2.11. CG1 contract (CIC data management system (servers, core data warehouse, communication & related): in second half of 2014, PMU, implementation team, CIC and FIS-DP contractor proactively coordinated to fulfill: (i) approval of FSD application customization design document; (ii) completion of SIT testing; (iii) infrastructure implementation design in Disaster Recovery Center (DR); M7 interface development and data migration; (v) UAT users testing from December 24th, 2014.

Implementation status: SIT testing completed in December 2014. The delay of this milestone leads to delay in UAT and OAT milestone. The cause for delay is mentioned in Section II, item 2.

- DIV COMPONENT:

2.12. DGI package (Supply, Installation and Integration of Information and Communication System for DIV's Advanced Business Process): after

bidding process, the contract signing ceremony was held on November 26th, 2014. In January 2015, the contractor has assessed current state, business processes and ICT system of DIV as well as completed the contract implementation plan and obtained DIV's approval.

2.13. DT1 package (DIV functional and process strengthening): in the second half of 2014, the consultant supported DIV/PIU in DG1 bidding process and coordinated with DIV to implement procedures of DT1 contract extension. On January 30th, 2015, DIV requested WB for recommendation on the Contract extension and tasks of DT1 consultants.

2.14. DT2 package (DIV change management): DIV/PIU and consultant of Development Advisor Ltd (Singapore) coordinated to complete all outputs of the contract. Some main outputs are: (i) DIV development strategy for period 2015-2025; (ii) change management strategy; (iii) change management manual; (iv) conducting training courses on change management for 275 batches of DIV management and staffs. In 1st quarter of 2015, DIV will complete the settlement and liquidation of DT2 package.

3. Project extension and revisions of Financing Agreement' s contents:

Upon receipt of agreed comments of related ministries, the document set of project extension was submitted to Vietnam Government and President for approval. On November 13th, 2014, the President signed Decision No. 2945/QD-CTN approving on project extension and revisions of Financing Agreement's contents. Based on SBV's official request in the letter dated November 13th, 2014, WB signed a letter dated December 23rd, 2014 approving project extension to December 31st, 2016 and revisions of Financing Agreement 's contents. On December 26th, 2014, SBV Management co-signed the letter of project extension. FSMIMS project is therefore officially extended to December 31st, 2016.

4. Disbursement:

In second half of 2014, US\$ 8,752.085,00 was disbursed, details are as follows:

Components/items	Value (USD)
SBV and CIC components	7,608,762.71
Consulting service	1,340,536.26
Training and study tour	1,229.31
Goods	6,266,997.14
DIV component	1,143,322.29
Consulting service	144,568.60
Training and study tour	-
Goods	998,753.69
Total:	<u>8,752,085.00</u>

II. Project progress risks and suggested solutions

1. Progress made in project implementation

In the second half of 2014, the following tasks were done: (i) to sign two important contracts of software packages under SBV component – SG3.2 and SG4; (ii) to sign 01 contract of integration of hardwares and softwares – DG1 contract under DIV component and (iii) to implement successfully hardware infrastructure under SG1.1 contract. These done tasks contributed to a considerable increase in disbursement rate in comparison to the same period of last year.

The above achievements were owed to:

- The close steering from SBV Management and appropriate attention to the project implementation from SBV relevant departments; adequate mobilization of resources from bid evaluation committees, joint cooperation between the bidders and FSMIMS PMU in the project implementation. In addition, the DIV component implementation was also prioritized by DIV Management.

- The proactive and timely support from WB's implementation supporting team, especially WB team leader and procurement specialists.

- PMU and PIU's personnel received the support from the project's consultants, learnt and accumulated a lot of experience in the project's procurement.

2. Delays:

2.1. SG1.1 contract: According the signed contract, the final milestone "Commissioning and Operational Acceptance" must be completed in December 2014. However, because SG3.2 and SG4 contracts have just been signed in October 2014, the requirements for support from the SG1.1 bidder could not be provided. Therefore, SBV have signed for acceptance of 6 out of 8 tasks of this milestone and confirmed the delay of 02 remaining tasks of this milestone was not caused by the bidder. PMU discussed with the bidder for mutually-agreed solution to this issue. From early December 2014, PMU consulted WB for this issue. Based upon WB's NOL and SBV Governor's approval, on January 28, 2015, the Addendum No. 2 of the Contract (reflected change in the implementation time schedule of the above 2 remaining tasks) was signed between SBV and NEC-MITECT Joint Venture.

2.2. SG3.1 contract: GAP Analysis has been 1 month delayed (it was planned that the deadline for this milestone was December 20th, 2014). This phase was completed on January 19th, 2015.

Reasons: For the first time of CORE and ERP system implementation, PMU cooperated with the bidder and SBV's functional departments to conduct study tours to some banks which have implemented successfully CORE system in order to learn their experience. After the study tours (in first half of December 2014), the bidder and SBV's functional departments agreed the method to

implement the system as well as revise and add some contents to GAP analysis report. Additionally, the time of GAP analysis phase coincided with settlement period of late 2014 in SBV departments so these departments could not mobilize enough staff for the contract. Therefore, PMU, the implementation team and the bidder agreed to put off one month for this milestone and keep the contract implementation duration unchanged (24 months). The put-off was approved by WB. Accordingly, SIT milestone was 01 month put off and UAT, OAT milestones keep unchanged.

2.3. CG1 contract:

- The GAP analysis of the contract is 1,5 month delayed (only module 4 is delayed and other modules were approved on schedule). The causes for the delay: the GAP analysis for module 4 (Credit Risk Management) was complicated in business and had a high volume of material so the implementation team needed more time to review and needed to cooperated with the bidder to evaluate CIC's rating/coring models.

- SIT milestone is delayed. The causes for the delay are: (i) high number of reports and functions to be tested with high complexity, a lot of errors occurred in testing related to servers, storage system led to an interruption in SIT testing in October 2014 so the bidder had to recreate data for retesting. However, SIT completed in December 2014.

Up to now, the bidder has mobilized more human resources (about 50 staffs has been working at CIC); increased overtime to 9:00 p.m. in every working day and on both Saturday and Sunday; organized weekly meetings to review status of works for progress acceleration.

3. Risks in project implementation:

Most of ICT packages having duration from 18 to 24 months. During implementation, some of them have not met the plan. Reasons are:

- Because planning for milestones could not foresee the complexity of outputs, the real time for completion of these milestones took longer than expected that led to delays for the next milestones if no appropriate solutions are given.
- Contractors and SBV having difficulty in arranging human resources for execution of contract because a lot of ICT contracts have been implemented at the same time.
- PMU's staff not having expertise in IT and business processes led to difficulties in monitoring and supervising the contract execution.
- Basing on Project extension letter (effectiveness on December 26th, 2014) the new percentage of financing from IDA (100%) will affect GPP and subsequently affect implementation plan.

- Legal framework for the new business procedures are not issued timely upon completion and go live of the IT systems under FSMIMS project.

4. Suggested solutions:

To resolve the above-mentioned risks, the following measures must be taken into account:

- *From SBV:*

- SBV Management need to have frequent and close steering for project activities, identification and clarification of responsibilities of each parties if delays happened during project implementation;

- SBV functional units need to put arranging personnel resources for implementation team in priority so that they can coordinate with PMU and contractors to implement contracts on schedule.

- PMU need to review carefully each contract's contents, improve contract management, utilize support from technical and business staff of implementation team in order to ensure that contractors fulfil right and full responsibilities under contracts.

- SBV need to issue legal framework for new business processes as soon as the system completion and go live.

- Collaborating with ST7 consultant to ensure communication of the project in banking system and credit institutions (CIs) well-performed.

- *From WB:*

- To keep supporting PMU in project implementation; reduced time for review and approval of project documents.

- To discuss more about percentage of expenditures to be financed from IDA during WB Mission (tentatively in April 2015).

- *From contractors:*

- To closely follow implementation plan, strengthen personnel resources to ensure quality and deadline of contract implementation without any delay.

- To provide enough training as signed contracts and design training courses with essential contents and appropriate methods for users on management, usage and deployment of system.

III. Plan for Project implementation in the first half of 2015

1. To implement bidding packages/contracts of consulting service and goods according to approved GPP:

A. SBV and CIC component

- **ST1 contract** (*SBV, CIC functional and process strengthening*): EY will collaborate with PMU to complete ST1 contract extension and carry out bidding process, bid evaluation, recommendations for contract negotiation and risks in contract implementation for the project's remaining contracts; preparation of semi-annual reports.

- **ST3 contract** (*Consulting services for IT contract management and coordination*): contract signing (January 2015); organizing the first visit to SBV (February – March 2015); providing the confirmation report of the 3rd party for CG1 and SG1.1 packages (April 2015).

- **ST6.2 contract** (*External audit of financial statements (2nd)*): the consultant will conduct an audit for the financial report of the whole project for the period from January 1st, 2014 - April 30th, 2015. The finalized audit report is expected to be sent to WB by July 2015.

- **ST7 contract** (*Change management*): the consultant will complete: (i) inception report; (ii) Current status assessment report; (iii) 3-year plan and strategy of change management and (iv) Change management manual.

- **ST8 package** (*IT standards for SBV*): will be continue to implement after the updated GPP is approved: to send WB the 1st draft RFP (March 2015) and to select consultant (March – June 2015).

- **ST9 package** (*Consultant for designing new data center*): to carry procedures of selection of consultant after the updated GPP is approved.

- **CG1 contract** (*CIC data management system: servers, core data warehouse, communication & related*): UAT testing (February 2015), training for users (February 2015); infrustructure implementation in DR and OAT commissioning and testing. The contract is expected to be completed by August 2015.

- **SG1.1 contract** (*Servers, Middlewares, Database for SBV*): to configure and support installation of application requirements of SG3.1, SG3.2 and SG4 contracts. It is expected to be completed by June 2015.

- **SG3.1 contract** (*Core-banking, Accounting, Budgeting applications and System Integration*): to complete GAP Analysis (January 2015) and turn to design stage; to develop Functional specification document (FSD), Technical specification document (TSD) and Integration Requirement Document (IRD)

- **SG3.2 contract** (*Document Management & Human Resource Management for SBV*): to assess current state and collect requirements (January – March 2015); to implement GAP Analysis (February – June, 2015)

- **SG4 contract** (*Data Management, Data Warehouse & related applications for SBV*): system installation (January 2015); GAP Analysis and data requirement analysis (April 2015); technical design (October 2015).

B. DIV components

- **DG1 contract** (*Supply, Installation and Integration of Information and Communication System for DIV's Advanced Business Process*): to assess current state, business processes and ICT system of DIV; to implement GAP Analysis and prepare the detailed plan for contract implementation.

- **DT1 contract** (*DIV functional and process strengthening*): to complete procedures for DT1 contract extension and continue to implement the contract; to organize 03 training courses on introducing new technology.

- **DT2 contract** (*DIV change management*): to complete procedures of contract settlement and liquidation.

- **DT3 package** (*3rd Party verification on IT system*): to carry out selection of consultant after the updated GPP is approved.

- **DT4 package** (*Capacity building for senior and middle management*): to carry out selection of consultant after the updated GPP is approved.

- **DT5 package** (*Consultant for preparing DG3 Bidding documents*): to carry out selection of consultant after the updated GPP is approved.

2. Approved Training Plan in 2015

Under SBV3 component, PMU will conduct 02 domestic training courses in 2nd quarters of 2015 for PMU staffs:

- (i) "Risk management and internal control" in Ho Chi Minh City; and
- (ii) "Project contract management" in Hanoi.

3. Disbursement Plan

IDA fund disbursement plan for the first half year of 2015

Description	<u>Amount (USD)</u>
SBV and CIC Components	5,162,072.01
Consulting services	586,447.40
Training and workshop	-
Goods	4,575,624.61
DIV Component	4,253,040.74
Consulting services	205,190.15
Training and workshop	-
Goods	4,047,850.59
Total	<u>9,415,112.75</u>

Disbursement plan for packages in the first half of 2015

Name of contract	Value (USD)
ST1 –Functional and Business process strengthening for SBV, CIC	246,800.00
ST2 – International panel for quality assurance	0
ST3 – Third party verification	56,000.00
ST4 – PMU assistant (SBV3.a.i)	0
ST5 – ICT procurement specialists	0
ST6.1 – External audit of financial statements (1 st)	0
ST6.2 - External audit of financial statements (2 st)	30,398.90
ST7 – Change Management	62,936.50
ST8 – IT standards for SBV	0
ST9 – Designing SBV's new data center	190,312.00
DT1 – DIV functional and process strengthening	149,606.95
DT2 – DIV Change Management	55,583.20
DT3 – Supporting the development of DG#3 package	0
DT4 – Capacity building	0
DT5 – Supporting the procurement of IT security system	0
Training and workshop under SBV1 component	0
Training and workshop under SBV3 component	0
Training and workshop under DIV component	0
SG1.1 – Server, Middlewares, Database for SBV	1,963,030.05
SG1.2 – ITDB's new data center	0
SG3.1 – Core banking, Accounting, Budgeting applications and System Integration for SBV	1,057,239.41
SG3.2 – Document Management & Human Resource management for SBV	349,316.47
SG3.3 – IT standards	
SG4 – Data management, Data warehouse & related applications for SBV	0
SG5.1 – PMU office equipment (1st)	0
SG5.2 – PMU office equipment (2nd)	0
CG1 – CIC data management system (server, core data warehouse, communication & related application)	1,206,038.68
DG2 – PIU office equipment	0
DG1 - data management system (server, core data warehouse, communication & related application)	4,047,850.59
Total	9,415,112.75

Note: Applying new percentage of expenditures to be financed from IDA: 100 %.