



**MPI**



**UN – EU Guidelines For Financing of  
Local Costs In Development  
Co-operation with Vietnam**

**Version 2009**

## **PREFACE**

We are very pleased to present these guidelines including a set of unified norms for local costs related to the management of Official Development Assistance (ODA) in Vietnam. This is a result of a joint collaboration between the Government of Vietnam, UN and EU.

We commend the Government of Vietnam (GoV) for leading this tripartite initiative, thereby creating greater transparency and a basis for harmonization and alignment between donors and Government, in the spirit of the Hanoi Core Statement on Aid Effectiveness.

The results of this joint endeavour can be found in these guidelines. The UN/EU is committed to follow these guidelines as much as possible subject to their respective rules and regulations.

Other donors are invited to use these guidelines for their ODA projects/programmes in Vietnam.

We firmly believe that these harmonised cost norms will make a tangible contribution to improving aid effectiveness in Vietnam.

Hanoi, June 03, 2009

**Cao Viet Sinh**  
Vice - Minister  
Ministry of Planning and  
Investment of Vietnam

**John Hendra**  
Resident Co-ordinator  
United Nations in Vietnam

**Michal Kral**  
Ambassador Extraordinary  
and Plenipotentiary  
of the Czech Republic  
European Union Presidency

## LIST OF ACRONYMS

<b>EU</b>	European Union
<b>IP</b>	Implementing Partner or Agency
<b>MOF</b>	Ministry of Finance
<b>MOFA</b>	Ministry of Foreign Affairs
<b>MPI</b>	Ministry of Planning and Investment
<b>ODA</b>	Official Development Assistance
<b>PD</b>	Per Diem
<b>TOR</b>	Terms of Reference
<b>UN</b>	United Nations

## INTRODUCTION

The Baseline Study on Existing Cost Norm Systems for ODA Loans and Grants in Vietnam, published in November 2006, highlighted major differences between current donor cost norms and pointed to situations that were to the detriment of the country's interest and aid effectiveness.

Therefore, the Government, UN and EU are introducing these cost norms as one element - based upon an open market approach - to be considered in moving towards gradual alignment of donor cost norm systems and the government system, as it is the intention of the government to update progressively its cost norms closer to market conditions.

The cost norms are based upon the following principles:

- Reflection of the spirit of the Hanoi Core Statement in respect of harmonisation and alignment; increased ownership and capacity in public systems involved in ODA, at all levels;
- Ensure the transparency and accountability in utilizing ODA resources under the ODA specific agreements;
- Enabling on a timely basis appropriate resourcing and effective implementation of projects;
- Simplicity of structure giving clear guidelines for implementation;
- Use of local market conditions by application of qualitative standards that are linked to respective reference markets using an established methodology;
- Adoption of best practices;
- Facilitation of periodical review of rates with a minimum of annual review using the same methodology by the tripartite working group<sup>1</sup>.

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<sup>1</sup> Tripartite Working Group consists of representatives from the GoV agencies (MPI, MOF, MOFA), EC and UN.

## GLOSSARY OF KEY TERMS

### **Implementing partner/agency**

Is the entity that is selected by the Government, the UN and the EU and documented in the Detailed Project Outline or project document to directly manage and implement a programme or project supported by a UN Agency or the EU.

### **Project Personnel**

An individual directly contracted through a selection process by the Implementing Partner to provide services to the Implementing Partner as per the agreed Terms of Reference and remunerated at the rates specified in [Annex I](#)

### **Consultant**

Tasked to provide specific and time bound outputs for which they are contracted through a selection process as per agreed Terms of References and paid on an agreed basis (e.g. daily or monthly) at the rates as per [Annex II - A](#), or as a fixed amount resulting from a competitive bidding.

### **Resource person**

Individuals who are required to prepare resource materials and/or facilitation/organisation and/or provide technical/intellectual inputs etc. to training and workshop events. See [Annex II – D](#) for rates.

### **Regular Project Meetings**

The meetings that are held concerning daily project management.

### **Per Diem**

Comprises the total contribution intended to cover accommodation, meals and sundry expenses including transport cost from place of accommodation to the first place of official business, and vice versa. See [Annex III](#).

### **Release Letter**

A release letter is a written permission from an employer to an individual for temporary leave to work as a service provider for a project/programme.

### **Relevant Experience**

Working experience in the area of expertise as required by the Terms of Reference (TOR).

## **SCOPE OF APPLICATION**

These guidelines are applicable to activities under projects/programmes funded by UN/EU which are approved in annual work plans or/and project documents and implemented by IP and other counterparts in Viet Nam.

The cost norms in these guidelines concern general project management and implementation costs.

For specific cost categories that are not covered in the cost norms, they can be complemented by additional sector-specific cost norms and/or cost norms established by legally recognized implementing partners that are approved by MPI, MOF and donors.

These guidelines are effective to all new and ongoing project/programmes as of the date of signature of this document. In the case of ongoing and officially committed projects/programmes, the application is subject to their current financial year budget availability.

These guidelines, when implemented, will completely supersede all previous cost norms.

## GUIDING PRINCIPLES

### 1. Vietnam contribution to project/programme budget:

The Government of Vietnam is expected to finance the following costs (except where the Implementing Partner is not a Government entity, in which instance the Implementing Partner will be responsible for costs under ii – iv below):

- i. Salaries and allowances for Government officials of the implementing partners, and for Government officials seconded to the project/programme;
- ii. Project office costs: electricity, local telecommunications services, water, office space as well as office equipment and furniture if available in working condition.
- iii. Project operational cost: electricity, water, working space, fuel, maintenance and repair costs of project equipment and vehicles, if ownership of equipment and vehicle has been transferred to the Implementing Partner;
- iv. Use of Implementing Partner's facilities, in principle, when feasible, for trainings, workshops and seminars, are to be provided on a gratis basis.
- v. Costs for regular meetings.

Except in the case of (i) and (iv) above, where the contribution of the Implementing Partner is beyond its capacity, upon formal approval of the corresponding donor, the shortfall in funding could be filled by the project budget based on the submission of the official request of the Implementing Partner.

### 2. Project Personnel:

They are to be employed in cases (a) where the Implementing Partners are not in a position to provide the project personnel competence required for the implementation of the project/programme within their own resources, and/or (b) where other circumstances do not make it possible or feasible to use Implementing Partner personnel. In cases where the prospective project personnel do not resign from his/her current job to work for the project/program, a release letter is required from their current employer.

### 3. Service Providers:

- i. Consultants, Interpreters, Translators and Resource persons providing a service to an Implementing Partner, for a specific task or assignment during a specified period, are to be utilised when the technical inputs required cannot be provided from within the human resources assigned on a normative basis to the Implementing Partner as designated in the work plan. In cases where the service provider is currently employed, a release letter is required.
- ii. Interpreters/translators must be experienced professionals with a proven relevant experience of providing high quality translation/interpretation services in relevant subject areas. See [Annex II – B](#) for Interpretation service rates and [Annex II – C](#) for Translation rates.
- iii. Remuneration for Service Providers may also be determined by a competitive bidding process, on a case-by-case basis.

### 4. Per-diem:

It will be paid to finance the costs of participation in trainings, workshops, seminars, conferences, monitoring missions or any other mission in Vietnam, for overnight stay away from the habitual place of residence as required by the National Project Director/ or designated person based on the approved work plan.

The full per diem will be paid only in cases where the accommodation, meals and other expenses are not covered by any other means. Per Diem will be reduced if officially covered by project or project related entities under the following circumstances: (a) If accommodation is provided; the per diem will be reduced by the amount specified for room rate in [Annex III](#) and in the case for Elsewhere – District and Commune Level by 50% of the total. (b) If meals are provided, then the Meals and Incidentals amounts as per [Annex III](#) will be reduced by 30% each for Lunch and Dinner and 15% for Breakfast.

- i. Payment will be made on a lump sum basis.
- ii. For official travels/missions of duration of 10 hours and more including travel time and return the same day a lump sum Per Diem is applicable at 40%.

Lunch should be provided by the project/programme for full day events where it is more economical to do so. Where lunch cannot be arranged 30% of the applicable meals and incidental column of Annex III is to be paid to participants who are not eligible for Per Diem. For half day events neither lunch nor per diem is provided to participants.

## QUALITATIVE STANDARDS

### 1. **Payment:**

In the case of cost norms items stipulated in US Dollars, the payments will be made in Vietnam Dong, using the exchange rate of the day of payment applied by the corresponding donor.

### 2. **Vietnamese Law:**

The Implementing Partner is responsible for applying the Vietnamese Law in terms of payment, retention, filing, etc. for taxes (VAT, PIT, etc.) and insurance (social, health etc.).

### 3. **Rates:**

The rates in these Cost Norms are all-inclusive rates (e.g. inclusive of tax and insurance).

### 4. **Per Diem:**

Hotel rates are based on mid-range quality, equivalent to a 3 star hotel. Breakfast, lunch and dinner are also based on mid-range quality, equivalent to that served in a 3 star hotel.

### 5. **Travel:**

Transportation costs are set as follows:

- i. For air, land, waterway travel, most direct and economic route, in economy class using public transportation;
- ii. Where for (i) above the public transport is not available, use of private transportation means for project related purpose will be reimbursed at a standard cost per km on distance basis only upon prior approval of the Project Director/ or designated person based on the approved work plan. See [Annex IV](#)
- iii. Rental of different transportation, which should be of a non luxurious nature, shall only be undertaken for specific tasks such as project monitoring, and with prior approval of the Project Director based on the approved work plan using prevailing market rate.
- iv. For travel by air, requiring additional and separate return travel to the airport, a lump sum reimbursement of the cost of a single person by taxi will apply. See [Annex V](#).

With the exception of (ii) and (iv) above, supporting documentation must be provided with the expense claims.

### 6. **Project Personnel:**

The project personnel remuneration and categorisation will be referenced to local market surveys for equivalent work. The remuneration package for Project Personnel must be consistent with prevailing levels of pay for similar services and comparable work in the local labour market.

### 7. **Meetings / Conferences / Events:**

Generally, Meetings/Conferences/Events and the associated costs should not be higher in standard and cost than that of a 3 star Hotel or equivalent. In exceptional cases where a different (higher) standard is required, the IP must obtain official acceptance by the donor.

### 8. **Service Providers:**

Rates are established to broadly reflect pay that is comparable to the remuneration of project personnel and covers services for consultancies, translation, interpretation, resource persons, technical inputs, production of technical reports, policy papers etc. etc.

### 9. **Resource Persons:**

Resource persons can only be mobilized if their input does not exceed 5 consecutive working days.

The number of resource persons for organizational support is not expected to exceed more than two persons.

**10. Hardship Allowance:**

The hardship allowance aims to compensate Non Resident Service Providers / Project Personnel for difficult living conditions at the locations declared by the government as the poorest districts (hardship locations) in the country in the Government Resolution No 30a/2008/NQ-CP of 27<sup>th</sup> December 2008 (See [Annex VI](#)). It is based upon a maximum rate of 10% of Remuneration.

**Annex I**

**Project Personnel**

<b>Monthly Rate – USD payable in VND</b>	Step 1	Step 2	Step 3	Step 4	Step 5
Reference Category	2 to 5 Yr. Experience	6 to 10 Yr. Experience	11 to 15 Yr. Experience	16 to 20 Yr. Experience and over	20 Yr. Experience and over
1. Project Coordinators/Manager, Chief Accountant, Technical Specialist, etc.	1,103	1,254	1,405	1,557	1,708
2. Project Administrative Assistant/ Secretary, Accountant, Interpreter/Translator	658	778	898	1,017	1,137
3. Clerk, Driver, Auxiliary Staff, Messenger, Cleaner (Secondary)	288	335	383	430	478

The Qualification for the Reference Categories 1 and 2 requires a Bachelor. Should an applicant possess a PhD or a Master's then the required relevant experience can be reduced by 2 years.

**Annex II - Service Providers**

**Annex II – A: National Consultants Rates**

<b>National Consultants Rates</b>				
<b>Category</b>	<b>Scope of Service</b>	<b>Relevant Education and Work Experience</b>	<b>Remuneration in USD payable in VND</b>	
			<b>Daily Maximum</b>	<b>Monthly Maximum</b>
VNM 1	Working on a complex task under the supervision of another person	Bachelor's Degree plus 3-5 years experience	60	900
VNM 2	Formulating or managing complex assignments	Bachelor's Degree plus 4 - 6 years relevant experience	97	1455
VNM3	Formulating, organizing and managing complex assignments /leading a small team of advisers/supervising a team of technical or multi sector advisers	Master's Degree plus 5 -10 years relevant experience	159	2385
VNM4	Leading a team entrusted with conceiving, implementing, monitoring, development programmes and/or strategies of national scope or development Policies	Master's Degree plus 10 -15 relevant experience	223	3345

*Note:* Consultants do not necessarily have to meet the above mentioned qualifications for them to be hired, since Professional Qualifications and Relevant experience in the respective field of work can suffice.

The Qualification for the first 2 categories requires a Bachelor. Should an applicant possess a PhD or a Master's then the required relevant experience can be reduced by 2 years.

These Rates can be used for International Consultants as and when agreed upon between the related parties.

### Annex II – B: Interpretation Services Rate

Interpretation Rates (in USD payable in VND)	
Level	Rate
<b>Simultaneous</b> (*)	
Daily	450
Half Day	225
<b>Non Simultaneous</b>	
Daily	150
Hourly	20

(\*) Interpretation Services Rate is paid irrespective of the number of Persons providing the service.

### Annex II – C: Translation Rates

Translation Rates (in USD payable in VND)*	
English/EU Language to Vietnamese	8 USD per page of 350 words
Vietnamese to English/EU Language	9 USD per page of 350 words

- Rates may be increased by 20% for exceptional circumstances with justification of IP and approval of donor.

### Annex II – D: Resource Person Rates (where applicable)

Resource Person Daily Rates (VND)	
1. Complex task that require thorough technical knowledge, autonomy, analytical and problem solving skills, and ability to communicate clearly.	600,000
2. Complex tasks that require technical knowledge, autonomy, and analytical skills.	500,000
3. Simple and structured work that requires application of a known methodology with technical knowledge and autonomy.	300,000
4. Simple and structured work that requires application of a known methodology with supervision.	200,000

### **Annex III**

#### **Per Diem**

<b>Location</b>	<b>Per Diem – USD payable in VND</b>		
<b>Area</b>	<b>Room Rate</b>	<b>Meals &amp; Incidentals</b>	<b>Total</b>
Ho Chi Minh City, Hanoi (Urban Districts)	<b>45</b>	<b>20</b>	<b>65</b>
Da Lat City, Da Nang City, Nha Trang City, Vung Tau City, Hue City, Hoi An City, Do Son, Ha Long City	<b>36</b>	<b>15</b>	<b>51</b>
Hai Phong City, Sapa, Kon Tum City, Hoa Binh City, Vinh City, Can Tho City, Quang Ngai City, Qui Nhon City, Hanoi Rural District.	<b>28</b>	<b>12</b>	<b>40</b>
Elsewhere – Provincial Level	<b>19</b>	<b>9</b>	<b>28</b>
Elsewhere – District and Commune Level			<b>16</b>

### **Annex IV**

#### **Cost of Kilometer for use of Private Vehicle**

Cost Per KM	USD 0.10
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**Annex V****Airport Taxi**

<b><i>Location</i></b>	<b><i>Airport</i></b>	<b><i>Airport Taxi - One way – Amount in VND</i></b>
1. Hanoi City	Noi Bai	200,000
2. Hai Phong City	Cat Bi	100,000
3. Dien Bien	Dien Bien	20,000
4. Vinh City	Vinh	65,000
5. Hue City	Phu Bai	145,000
6. Dong Hoi City	Dong Hoi	80,000
7. Da Nang City	Da Nang	30,000
8. Nha Trang City	Cam Ranh	190,000
9. Quy Nhon City	Phu Cat	220,000
10. Buon Ma Thuot City	Buon Ma Thuot	100,000
11. Pleiku City	Pleiku	80,000
12. Da Lat City	Lien Khuong	245,000
13. Ho Chi Minh City	Tan Son Nhat	80,000
14. Phu Quoc	Phu Quoc	50,000
15. Rach Gia	Rach Soi	80,000
16. Can Tho City	Can Tho	110,000

## Annex VI

### Hardship (district) Locations

Province	Number of poorest districts	Districts
Ha Giang	6	Dong Van, Meo Vac, Yen Minh, Quan Ba, Hoang Su Phi, Xin Man
Cao Bang	5	Bao Lam, Bao Lac, Thong Nong, Ha Quang, Ha Lang
Lao Cai	3	Si Ma Cai, Muong Khuong, Bac Ha
Yen Bai	2	Mu Cang Chai, Tram Tau
Bac Kan	2	Ba Be, Pac Nam
Bac Giang	1	Son Dong
Phu Tho	1	Tan Son
Son La	5	Sop Cop, Phu Yen, Bac Yen, Muong La, Quynh Nhai
Lai Chau	4	Muong Te, Phong Tho, Sin Ho, Than Uyen
Dien Bien	4	Dien Bien Dong, Muong Nhe, Tua Chua, Muong Ang
Thanh Hoa	7	Lang Chanh, Thuong Xuan, Quan Hoa, Quan Son, Muong Lat, Nhu Xuan, Ba Thuoc
Nghe An	3	Ky Son, Tuong Duong, Que Phong
Quang Binh	1	Minh Hoa
Quang Tri	1	Đa Krong
Quang Ngai	6	Son Ha, Tra Bong, Son Tay, Minh Long, Tay Tra, Ba To
Quang Nam	3	Phuoc Son, Tay Giang, Nam Tra My
Binh Dinh	3	An Lao, Vinh Thanh, Van Canh
Ninh Thuan	1	Bac Ai
Kon Tum	2	Tu Mo Rong, Kon Plong
Lam Dong	1	Dam Rong