

Swiss Consulting Co. Ltd. – Vietnam

Organizational Screening SPERI

Independent opinion on “Z”-Capacity Assessment of the Social Policy Ecology
Research Institute (SPERI) Hanoi, Vietnam by “Bread for the World”

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List of Acronyms

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| BMZ | German Ministry of Development |
| BFTW | Bread for the World |
| CHESH | Centre for Human Ecology Studies of Highlands |
| CIRD | Centre for Indigenous Knowledge Research and Development |
| DoLISA | Department of Labour, Invalids and Social Affairs (Vietnam) |
| INGOs | International Non-Governmental Organizations |
| MECO-ECOTRA | Mekong Community Network Action for Ecological Trading |
| NGO | Non-Governmental Organization |
| NPO | Non-Profit Organization |
| PME | Planning, Monitoring & Evaluation |
| SPERI | Social Policy Ecology Research Institute |
| TEW | Towards Ethnic Women |
| VUSTA | Vietnam Union of Science and Technology Associations |

I. Introduction

1. Purpose and objectives of this organizational screening

This independent, external Organizational Screening of the “Social Policy Ecology Research Institute”, subsequently referred to as “SPERI”, was commissioned by “Bread for the World” (BFTW).

Its main purpose was to provide BFTW with an independent opinion on the different criteria BFTW has defined to assess SPERI’s organizational capacities¹ for the purpose of applying for funding from the German Ministry of Development (BMZ).

We were in particular asked to:

- Conduct an independent *verification of factual information* provided by SPERI in the form “Organizational Profile”², through face-to-face interviews and desk study of documents on a sampling basis.
- Provide you with an independent expert view on the *assessment* BFTW will have to provide on SPERI in BFTW’s form “Organizational Assessment”.
- Provide *recommendations* on specific measures to enhance SPERI’s “Z-Capacity” or otherwise strengthen SPERI’s organizational capacities, where needed.

2. Methodology

Our assessment was based on BFTW’s guidelines for “Z-Capacity Assessment of Partner Organizations” and good evaluation practices.

Swiss Consulting and the consultant in charge of this assignment fulfill the criteria of independence. We had no prior interaction with SPERI or its key stakeholders and are free from conflict of interests.³

Different evaluation tools were combined to ensure an evidence-based qualitative and quantitative assessment. Particular emphasis was given to cross-validation of data and an assessment of plausibility of the results obtained. The methodological mix included desk study of relevant documents provided by SPERI, interviews with the management of SPERI and direct observation. External stakeholders (except BFTW) were not included into our fact finding. A list of the over 50 different documents reviewed is included in Annex A to this report.

While maintaining independence, we aimed at using a participatory learning approach and took all views of SPERI into account.

Our conclusions and recommendations are based on specific findings (“deductive reasoning”) rather than on “inductive reasoning”.

In line with the ToRs, this organizational screening focused on an assessment of SPERI against the criteria defined by BFTW, mainly for the purpose of assurance.

¹BFTW’s guidelines for “Z-Capacity Assessment of Partner Organizations”

² Form “Organizational Profile” submitted by SPERI (dated 24 September 2012)

³ “Evaluators are independent from the development intervention, including its policy, operations and management functions, as well as intended beneficiaries. Possible conflicts of interest are addressed openly and honestly.” See Organization of Economic Development and Cooperation (OECD), Development Assistance Committee (DAC), DAC Criteria for Evaluation Development Assistance, Article 3.5.

The main evaluative steps undertaken and evaluation tools applied were:

- Briefings with the Country Representative of BFTW and SPERI (by phone and one physical meeting)
- Review of material provided by SPERI's website, formulation of key "evaluative" questions
- In-depth interviews with representatives of SPERI's management⁴
- In-depth review of comprehensive material provided by SPERI (see Annex A)
- A draft of this report was sent to SPERI for factual verification on 19 March 2013
- A second draft incorporating the comments of SPERI was submitted to both SPERI and BFTW on 22 March 2013 in preparation of the de-briefings.
- Separate de-briefings with Mr. Chau, Member of SPERI's Institute Board cum its Vice-Director, and the BFTW's Office in Vietnam on the key findings, conclusions and recommendations of the organizational screening allowed for further discussions. Those meetings also served the purpose of validating the report and correcting some minor factual errors of the evidence base.

In general, discussions with SPERI's management were open and constructive. All participants were willing to openly share information and exchange views. We were able to work freely and without interference. SPERI supported the screening process actively and provided timely access to all relevant information. Direct observation further validated the findings and conclusions. Overall, factual information obtained has been comprehensive, consistent and clear. The key results of the screening received endorsement by SPERI and BFTW.

3. Limitations

The scope of the specific factors to be assessed according to the template given by BFTW are limited to factors that relate to "assurance" of BFTW, i.e. to ensure that project holders receiving funding are capable to fulfill their project responsibilities. But even for this, the time budget of five working days in total necessarily limited the depth of our work.

A comprehensive organizational assessment for the purpose of providing an opinion of whether an organization provides the right type of service to the right target customers in the right way would have to look into relevance, efficiency, effectiveness and potential sustainability of an organization in a holistic way. Furthermore, the fact finding would have to be expanded to a wider group of stakeholders to gain additional external views.

Due to the timing of the field work at the beginning of the financial year, the latest audited financial statements for the year 2012 and the auditors' management letter including management comments were not yet available at the time this report was delivered.

Despite those limitations, the factual information obtained was sufficient to provide a well-funded opinion on the specific elements of SPERI's organizational capacities we were required to assess.

4. Important legal note

Legal considerations and expressed in this report should not be considered as binding legal opinion or advice. Where relevant to the assessment of Z-Capability, BFTW should consult with a lawyer who is, unlike Swiss Consulting and the consultant, licensed to provide legal advice or opinions.

⁴Mr. Dam Trong Tuan, Executive Director; Ms. Tran Thi Thu Hang, Finance Director; Ms. Pham Bich Ngoc, Accountant

II. Brief description of SPERI

SPERI was founded on 5 June 2006 in order to “merge” the activities of “Towards Ethnic Women (TEW, founded in 1994)”, the “Centre for Human Ecology Studies of Highlands” (CHESH, founded in 1999) and the “Centre for Indigenous Knowledge Research and Development” (CIRD, founded in 2000). Those three organizations had been operating under the umbrella framework of the Vietnamese Union of Science and Technology Associations (VUSTA)⁵.

Besides the desire to consolidate and strengthen existing operations in order to develop the Mekong Community Network Action for Ecological Trading (MECO-ECOTRA), the key reason for establishing SPERI was the desire of SPERI’s Founders to gain independence from the relatively tight supervision and management by VUSTA. This aimed at fostering a creative and flexible approach in development work that enabled SPERI to timely respond to the evolving needs of society. In practice, SPERI’s independence from VUSTA also considerably facilitated the cooperation with International Non-Governmental Organizations (INGOs) and provided easier access to external international funding/expertise.

Key governing bodies of SPERI are the Institute Board⁶ and the Management Board. The Scientific Board is mandated to provide technological advice to the Institute Board and the Management Board. Detailed information on SPERI’s governance framework, organizational structure and the profile of key personnel is available on SPERI’s website⁷⁸.

Strategically, SPERI intends to increasingly focus towards research, community development, education and lobby. Recognizing that over the next few years, donor-support in Vietnam is likely to be gradually phased out, SPERI plans to additional revenue sources to fund its work. Initial ideas to generate more revenues from research and technology services, eco-trade and eco-tourism (without operating a commercial operation) exist, but have not yet been translated into a long-term “business plan” (see also comments on sustainability below).

III. Findings and assessment

This section presents the findings and conclusions structured along the questions provided by BFTW. Each of the criteria is assessed according to Z+ (satisfactory) or Z- (remediate action recommended). Recommendations are summarized in section IV below.

1. Contact address

SPERI has a clear contact address, which has remained unchanged since it was founded in 2006. At the time of our visits, the rented office physically existed and was obviously used.

⁵The Vietnam Union of Science and Technology Associations (VUSTA) is a para-governmental organization established on March 26, 1983 by Decision No. 121/HĐBT of the Council of Ministers (now the Government) of the Socialist Republic of Vietnam. See <http://www.vusta.vn/english3/>, retrieved on 20 March 2013

⁶ Translation of the Vietnamese version (“Hoi Dong Vien”) by Swiss Consulting

⁷See <http://speri.org/eng/content/Organization-45-107.html>, retrieved on 14 March 2013, selectively cross-checked through interviews with management of SPERI and desk review of documents.

⁸ See <http://speri.org/eng/content/Governance-Framework-45-157.html>, retrieved on 14 March 2013, selectively cross-checked through interviews with management of SPERI and desk review of documents.

Furthermore, SPERI operates three field offices to facilitate and implement its activities in Lao Cai and Ha Tinh Provinces (Vietnam) and in Luang Prabang (Lao PDR). We have not visited the field offices during our assignment.

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| Assessment of “permanent contact address”: Z+ |
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2. Legal situation

(a) Legal form of establishment

SPERI is officially registered⁹ as a “Scientific Technological Organization” with an own legal personality, its own stamp and own banking accounts¹⁰.

Unlike many typical NGO’s, SPERI is not an association and is not membership-based. Similar to the legal capital of companies and unlike associations, SPERI does have a “registered operating capital” contributed by the three Founders.¹¹

Part of the registration certificate is a detailed Charter. According to the Charter, the “Institute Board”, consisting of the three Founders, exercises the most important ownership rights including changing the Charter, SPERI’s purpose and dissolving SPERI (see Article 8.2 of the Charter). Whether this is with majority decision or unanimously is unclear. The “Institute Board” also appoints a President (according to the Charter Ms. Tran Thi Lanh) who is responsible to issue written decisions on matters decided by the “Institute Board”. The validity of the registration certificate is not limited to a specific time. Legal representative according is SPERI’s Director, Prof. Khong Van Dien. Changing the legal representatives needs a decision of the “Institute Board” and a change of the registration certificate. The legal structure of Scientific Technological Organizations according to Vietnamese law incorporates many typical characteristics of enterprises, but:

- They can only be established by individuals (not organizations)
- Unlike companies, they are *not necessarily profit-oriented* (this is the case of SPERI), and
- Their *activities* must relate to science and technology in a broader sense.

(b) Non-government characteristics

SPERI is managed through the “Institute Board”, with similar functions than a “General Assembly” of a company or an association. SPERI is thus not a Governmental or Para-Governmental Organization.

(c) Non-profit orientation

Article 3 of the Charter explicitly mentions SPERI’s non-profit orientation. Moreover, Article 12.2 of the Charter stipulates that surpluses will be entirely (100%) allocated to different internal funds. Specifically: (a) 20% for research, (b) 20% for staff incentives, (c) 20% as a contingency, (d) 30% for activities benefitting environmental protection and (e) 10% for training purposes. “Staff incentives” are not clearly defined.

⁹ The latest Certificate of Science and Technology Registration is dated 22 July 2011 (second registration)

¹⁰ Relevant legal documents for establish “Scientific Technological Organizations” are the Law on Science and Technology, Decree 81/2002/ND-CP dated October 17th 2002, and Decree 80/2010/ND-CP dated July 14th 2010, which promotes foreign cooperation and investment in science and technology.

¹¹ The registered capital is VND 500 Million (ca. USD 22’000), contributed as follows: Ms. Tran Thi LANH (Chairwoman), Mr. Duong Quang CHAU (currently also Vice-Director of the Institute), VND 200 Million each and Mr. Geoff LAWTON VND 100 Million.

The above means that the Founders do not receive dividends, which is another indication of SPERI's non-profit orientation *during the lifespan of its operation*. The two Vietnamese Founders earn a fixed salary for their operational work. They do not receive fees for serving on the Institute Board. The Australian founder receives not fixed salary, but occasionally provides paid expert services to SPERI. This is an additional indication for SPERI's not-profit orientation.

The Charter does not explicitly mention how possible proceeds will be distributed in the case of *liquidation*. Most probably, unless otherwise stated in applicable laws (see below), the Founders would be entitled to receive a share of liquidation surpluses, including the different internal funds, according to the percentage of their capital contributions, similar to the legal stipulations governing the dissolution of companies established under the Law of Enterprises.

According to Official Letter No. 16706/BTC-TCDN dated 20 November 2007¹², assets SPERI received from *international donors or the government*¹³ including proceeds from selling them, may however not be distributed to individuals. The faith of land use rights granted by the Vietnamese government *for specific purposes* is primarily guided by the underlying decision. Typically, if they are not used any longer in line with the specific purposes they have been granted for, or the term of use (in the case of SPERI 50 years) has expired, they are revoked and reassigned.

One could of course argue that the different funds established with *operating surpluses (excluding grants from INGOs)* must be used in line with the purpose they were established for. But this is unclear under Vietnamese law. In the case of bankruptcy or voluntary liquidation of a Vietnamese company, such funds typically fall into the liquidation mass.

Good practice for non-profit organizations is to include a provision in the statutes or charter that in the case of dissolution, liquidation proceeds will be transferred to other organizations with a similar purpose. In some countries (e.g. Switzerland), the Civil Law provides for this as a default solution for the case an association's/foundation's statutes do not include any provisions. This is however not the case under applicable Vietnamese laws.

The choice of legal form of establishment made by the Founders is as close as possible to the model of "NGOs" in other countries, as far as Vietnam's current legal framework permits.

Conclusion: SPERI is a properly licensed Scientific Technological Organization under Vietnamese law with non-profit orientation. SPERI's activities, in particular MECO-ECOTRA are oriented towards the "common good". According to the Charter, the three Founders are not entitled to dividends from operational surpluses. In the case of liquidation, all assets (including land use rights) *granted by the government or international donors may not be distributed to individuals*. The Charter does however not stipulate specifically that in case of dissolution, proceeds from remaining assets will be transferred to a similar organization or used for public benefits.

Assessment of legal situation: Z+ (Z-:non-profit orientation in the case of SPERI's liquidation)

Recommendation 1 to SPERI: In order to fully reflect its non-profit orientation, the founders of SPERI might consider adding clear, specific provisions in its Charter on the use of surpluses (excluding the capital contribution) for specific "public benefits" in the event of liquidation.

¹²See also Circular No. 109/2007/TT-BTC providing guidance on management of contributions made by foreign non-governmental organizations that do not relate to the state budget.

¹³Including the house at 5/535 Kim Ma Street (300 m2 of land, 840 m2 surface on 6 floors), 10 ha land in LAO CAI Province with a 50 years land use right and 470 ha of natural forest in HA TINH Province.

3. Management structure and decision making structure

Formally, strategic and operational management of SPERI are separated, although one of members of the Institute Board is at the same time SPERI's Vice-Director. This is not best-, but usual practice in many organizations. The Institute Board consists of SPERI's Founders and does therefore not need to be elected. The Management Board is appointed by Institute Board. Strategic management and operational management are complemented by a Scientific Board, which has merely an advisory role. The Scientific Board also serves the purpose to increase the credibility and standing of SPERI as a research organization, which is important for lobbying purposes, an area SPERI intends to specifically focus on. The Scientific Board meets with the Management Board approximately every six months. The Management Board maintains day-to-day contact by email/Skype and meets physically once per month. The Managing Director consults regularly with the Institute Board, in particular with the Chairwoman. Responsibilities are clearly defined in operational manuals/guidelines¹⁴ and are not overlapping.

A sample of recent written decision of the Institute Board and the Management Board (see list in Annex A) provides evidence that the organizational structure does not only exist on paper, but is implemented in practice.

A well-developed system of operational short-term and mid-term planning/internal reporting is in place (monthly, quarterly, and yearly) - evidence is provided by a number of written plans/reports.

Ideas for SPERI's long-term orientation do exist, yet they are not translated into a specific "business plan" (see also below). Scientific planning is much stronger than "financial planning" - a weakness we often find in organizations that are strategically managed by scientific practitioners or researchers.

Yearly budgeting is limited to revenues generated from donor-funded projects and SPERI's overhead.

Nevertheless, unlike other organizations, SPERI did try to proactively respond to the threat of decreasing international donor funding. Initial ideas to transform SPERI into a "social business" have been piloted, some more successfully than others. Services piloted on a trial basis included the operation of an ecological service center and research services. Furthermore, SPERI has let its building for some time in order to generate revenues and initiated local fund raising activities.

Challenges encountered seem to have related to both internal capacities (in particular management of a commercial operation) and the unfavorable external environment.

Conclusion: Management and decision making structure is clearly documented, implemented and in line with good management practices. SPERI's Charter provides for a clear separation of power and responsibilities, including regarding financial management (see below). SPERI has clear long term orientation and strategic planning on the "social services" it intends to provide and on scientific development, but not yet in terms of a proper business planning.

Assessment of management and decision making structure: Z+

¹⁴ SPERI, Organizational Guidelines, Hanoi 2007 (including: regulations on collaboration among the different departments, regulations for the Department for Community Development (DECODE), regulations for the Department for Research and Development (DES), Regulations for the Department for International Cooperation (DEFO), Regulations for the Administration Department (DAD), Regulations for the network of Project Officers for MECO-ECOTRA.

4. Work areas of the organization

Via BFTW, SPERI applies for co-funding of MECO-ECOTRA through BMZ means. We have primarily focused on looking at this aspect of SPERI's work and the underlying core competencies that are needed. Financial and technical support to MECO-ECOTRA (using international funding provided in-trust) is the most important among SPERI's core activities. BFTW has provided prior financial support to SPERI. According to its Regional Representative, BFTW has been satisfied with the cooperation so far. The fact that different donors have been supporting MECO-ECOTRA for a long time (see section 5 below) and continue to do so is a strong indication of SPERI's good reputation among the donor community.

However, a good reputation is not yet sufficient evidence of relevance, efficiency, effective project work that generates sustainable results.

While apparently enjoying a good reputation among the INGO community and government partners (see below), it should be noted that since 2009¹⁵, MECO-ECOTRA has not been externally evaluated¹⁶.

While presenting interesting "discoveries made" or "lessons learned" during the "evaluation trip", this *external* evaluation report does not follow standard methodology in terms of assessing relevance, effectiveness, efficiency and sustainability of results in a systematic way¹⁷. It is in our view not a strong evidence base for determining whether SPERI uses donor funding to provide the right type of support in the right way.

Lobbying work: a particular strength of SPERI is a close relationship of trust with different levels of policy makers. This is for instance evidenced by SPERI's cooperation with the Ho Chi Minh Political Academy, consultations with the National Assembly, the Ministry of Agriculture and Rural Development, the Ministry of Natural Resources and Environment and CEMA. Also, several important Vietnamese media (such as the Magazine of the Communist Party, the weekly magazine "Văn nghệ Dân tộc" and VTC News) published stories on SPERI.

In order to achieve a multiplying effect of the practical field work, it will be increasingly important to mainstream lessons learned into policies. SPERI seems to be well positioned to successfully lobby for the principles the organization stands for.

Conclusion: the project to be funded through BFTW/BMZ fully matches the core competencies of SPERI. SPERI's good reputation for successful project work is evidenced by the long-term support of different donors, including BFTW, indicates that INGOs and partners have been satisfied SPERI's work. Nevertheless, as the last independent evaluation has been conducted in 2009, the overall evidence base for a successful track-record is relatively weak.

Assessment of SPERI's track-record relevant to interventions funded by BMZ: Z+

¹⁵MECO-ECOTRA & SPERI'S Performance Evaluation Report, Phase 1997 - 2009, July 2009, by Dr. Doan Minh Huan, Head of Religion, Belief, and Peoples Department under the Ho Chi Minh Academy, Nguyen Cao Cuong – Editor-in-Chief of the Foreign Investment Review, and Cathrine Dolleris.

¹⁶In parallel to this Organizational Screening, SPERI/MECO-ECOTRA is currently undergoing the external evaluation. The final report of external evaluation will be available at the end of March 2013. It would be desirable if this ongoing evaluation could in particular provide recommendations on how to implement SPERI's strategy to (a) gradually shift to merely technical support of MECO-ECOTRA and (b) to generate revenue streams out of its activities.

¹⁷ The specific question we have to answer is whether SPERI has experience with external evaluation. The answer is yes, but the scope of the external evaluation was not comprehensive. It should be highlighted that SPERI is not to blame for the quality of the evaluation work.

5. Financial sustainability of SPERI (mid-term/long-term)

According to the budget for the year 2012¹⁸ which approximately reflects the effective funding situation, SPERI generates around 92% of its revenues through implementing projects for seven different INGOs. None of the INGO's provides core funding (not project-related general contributions to SPERI's budget). The Interchurch Organization for Development Cooperation (ICCO) with 28% and the Norwegian People's Aid (29%) were the major partners. BFTW contributed 11% to the revenues. Own revenues from research and other services are marginal (7%).

Significant potential revenues from leasing its building in 5/535 Kim Ma Street (see above) are currently not exploited, as the previous lease ended and according to SPERI, no new tenant was found. Management of SPERI estimates that this building could be leased for around USD 8,000 per month, which at this location, seems realistic (10 USD/m²/month). Proceeds from leasing the property would roughly cover SPERI's monthly operating cost.

Recognizing that donor support in Vietnam is likely to gradually decrease and eventually be phased out, SPERI decided to transform itself into a social enterprise, offer more scientific/research services on a commercial basis and to increase its efforts to raise funds (donations) locally.

Our experience shows that many NPO's in the region *failed* to successfully achieve this. The key reason was in many cases the lack of a clear, realistic business plan or its implementation. Sometimes, weak implementation of the business plan related to internal resources available, in particular the lack of business experience. Unless a clear business plan is available and endorsed by the Founders, we consider the longer-term perspectives of financial sustainability as uncertain.

Conclusion: SPERI has remained highly dependent from international donor funding. Further funding of BFTW/BMZ would *not* significantly change this situation or lead to a dependency from on single key donor. Nevertheless, the long-term sustainability of SPERI is uncertain, unless a clear business plans on how to generate revenues through own services is established and implemented (see above).

Assessment of financial sustainability/stability: Z+ (mid-term, 3 - 5 years), long-term Z-
 Recommendation 2 to BFTW/SPERI: *Not as a pre-condition of Z-Capability*, BFTW might consider supporting SPERI in establishing a long-term business plan (in terms of social enterprise) with the assistance of a specialist with experience in strategic planning for NPOs. The plan should in particular also look at additional personnel resources needed on how to successfully transform SPERI from an organization focusing on the implementation of donor-funded projects to a social enterprise.

6. Accounting system

SPERI's accounting system is based on comprehensive financial guidelines, which are officially approved by the Ministry of Finance (Official Letter No. 11964/BTC-CDKT). SPERI uses dedicated accounting software, which was specifically developed to cater to SPERI's specific needs. In line with the requirements of the Charter, SPERI's accounts have been audited in 2010 and 2011. Audit of the books for 2012 is currently ongoing.

¹⁸Audited financial statements for the year 2012 were not yet available.

The Audited Consolidated Financial Statements for the fiscal year 2010 were unqualified¹⁹, with the exception (qualification)²⁰ of (a) cash count (b) audit of fixed assets (c) consolidation of two project reports (cashB-LAO-0911-0003 and S-VNM-1005-0002-ESP audited by NEXIA APCA Co. Ltd., (d) transfer of land use rights in “Soc Son Farm” where taxes have not yet been paid (potential tax liability not accounted).

The Audited Consolidated Financial Statements for the fiscal year 2011 included no qualification as well, with the exception of SPERI’s investment into “Calabash Restaurant” within its property in 5/535 Kim Ma Street (investment audit conducted by other auditing company) and transfer of land use rights in “Soc Son Model” (tax on land transfer not yet paid, potential liability).

The delay in paying taxes related to the late transfer of those assets by ICCO from TEW, CHESH and CIRD to SPERI. An official letter of ICCO was needed to complete the necessary procedures. Despite constant follow-up by SPERI, the letter of ICCO was only received on 24 October 2012. Relating to the audit of investments into the Calabash restaurant (mainly relating to repairing and upgrading facilities), SPERI selected an audit firm that is specialized in construction auditing and price evaluation rather than in project/company audits as Vietnam Auditing and Evaluation Company. According to auditing standards, auditing companies always must make a qualification if overall audited statements include figures that have been checked by other auditors.

SPERI operates separate banking accounts for each donor, for the capital contributions by the Founders and for internal purposes, as evidenced by the list of banking accounts we have checked. Bank transfers require double signature (Managing Director and Accountant).

While SPERI’s *financial* management system is sophisticated and meets good practices, SPERI does not yet have a *managerial* accounting system that allocated specific resources to results generated. SPERI does for instance not have the necessary information to allocate expenditures to individual tasks performed. Therefore, SPERI would not be able to do a detailed assessment on costs of each of its services in real terms. Also, a costing based on past information and a benchmarking within the organization is not possible. All of this will be of particular importance at the time SPERI commences providing services beyond implementing donor-funded projects.

Conclusion: SPERI has a well-developed financial accounting system, guided by clear written rules. The level is far above of the standards organizations of similar size normally have, including NGOs in Europe. The Accounts of SPERI have been audited by a large, reputable Vietnamese auditing company. The audit reports contain two qualifications, which are not related to internal control. The auditors did not identify weaknesses in the internal control system. As a weakness, SPERI does not yet have a managerial accounting system that compares specific revenues with costs of each of its services.

Assessment of financial accounting system: Z+

Recommendation 3 to SPERI: SPERI should consider developing a simple managerial accounting system that provides information on net funding it receives from each of the services it provides. This might require external support by a specialist.

¹⁹ If the auditors state that “in our opinion the financial statements give a true and fair view” is given as an audit opinion then the audit is unqualified.

²⁰ A qualified audit opinion is given in an audit if the auditor disagrees with the treatment or disclosure of information in the financial statements, or if the auditor does not feel that the audit has been too limited in its scope. Except for the qualification of a particular issue, the rest of the financial statements will give a true and fair view.

7. Human Resource Policies/Staffing

By the end of the year 2012, SPERI counted a total of 32 staff, of which 25 were male and 7 female. 10 persons were working in administration and 22 were operational staff. Programme staff is predominantly male, while the gender ratio for administrative staff is balanced. This pattern is not unusual for organizations that mainly work in remote areas and where staff is required to travel a lot.

SPERI recruits both young and more experienced staff. Some employees were used to work for the government employees prior to joining SPERI. Others were recruited from other similar organizations or directly from the university. Operational staff has often a background in agriculture, forestry, law, social development, social environment, biology or social science. According to information provided by management, 40% of the staff belongs to ethnic minorities (!), while 60% are ethnic Vietnamese. Based on positive experience, SPERI intends to achieve a ratio of 50% ethnic minority employees and to empower them to work with their communities.

SPERI's salary scale is derived from the government system, with the key difference that instead of seniority, performance is rewarded²¹. The level of remuneration (including all allowances) is - according to data we have from other clients - roughly 30% lower than what INGOs would typically pay for similar positions. On the other hand, the overview on trainings of SPERI staff (dated 25 December 2012) shows that since 2006, 25 employees benefitted from financial support for trainings, including long-term trainings and post-graduate studies. SPERI supports both trainings/studies for academic and practical skills (e.g. accounting). According to its Charter (see section 2 above), SPERI has also a "welfare fund" for employees (for potential additional benefits/incentives), which is currently empty.

SPERI's policies regarding taxes and social insurances²² are compliant with Vietnamese laws. In line with its internal regulations, SPERI pays social insurances only on the basic salary (excluding allowances). While this reduces salary costs, it also may lead to low pensions in certain cases. For female staff, SPERI covers the difference between the low social insurance payments for maternity leave and the normal salary including allowances. The same applies to all employees on sick leave. In addition to the compulsory insurances, SPERI buys additional medical insurance, travel insurance and life insurance (insured sum: VND 50'000'000 for its staff). According to Vietnamese law, SPERI would be required to establish a Trade Union, but this has yet to be done. Also, SPERI has not yet registered Internal Labour Regulations with the Department of Labour, Invalids and Social Affairs (DoLISA).

Staff turnover is reasonably low (evidenced by comparing the salary tables of 2010 - 2012). Key staff has reportedly been with SPERI or its predecessor organizations for a long time (e.g. Mr. Tuan: 15 years, Ms. Hang: 7 years and Mr. Chau 20 years). Some staff seems to have left SPERI and returned later. The mobility of staff within SPERI is high.

In conclusion: SPERI has a well-developed human resource management system in place, which is based on clear regulations. Gender is balanced in management/administrative positions, while employees working in the field are predominantly male. Very positive is the exceptionally high percentage of minority people working for SPERI (40%). Staff turnover, in particular in key management positions, is low. While the remuneration level is approximately 30% lower than the one paid for similar positions, SPERI offers attractive professional development incentives. SPERI generally complies with Vietnamese tax, social insurance and labor laws. The registration of internal labor regulations an

²¹For details, please refer to the Annex to the financial guidelines dated 2 June 2008.

²²Including Social Insurance, Health Insurance and Unemployment Insurance (the latter is compulsory for all organizations with more than 10 employees).

establishing a trade union required under Vietnamese labor/trade union law is still pending, but reportedly in the process of being initiated.

Assessment of human resource policies and staffing: Z+

Recommendation 4 to SPERI: SPERI should consider registering internal staff regulations with DoLISA and establishing a trade union as required under Vietnamese law. Furthermore, SPERI should carefully check/adapt its internal regulations to the new Labour Code entering in force on May 1, 2013, where required.

8. PME-System

Due to different donor requirements (including funding agreements), SPERI does not have a single Planning, Monitoring and Evaluation (PME) System for all the projects under its management. Checking on a sample of operational reports, some of them are closer to good practices of result-based management than others. Some of SPERI's donors do not require a specific format. In those cases, SPERI adopts reporting forms from donors that provide them.

A few years ago, reporting on activities was common practice among many INGOs. While the need to report achieved against planned results (output, outcome and even impact level) using objectively measurable indicators is now widely recognized.

Project planning of SPERI is participative and includes consultations with key stakeholders.

Beyond monitoring effectiveness (achievement of results only), current trends go towards regular monitoring of all four key evaluation criteria, see for instance the methodology European Union's system of result-oriented monitoring (ROM)²³. This allows also to regularly checking on on-going relevance, assessing efficiency and reflecting on measures to ensure sustainability of results.

SPERI does have experience with external evaluation, yet not with evaluations that are conducted with methodological rigor.

Conclusion: SPERI does have experience with PME, including external evaluations, although those were not really conducted according to good practices. The quality of project planning and reporting varies significantly, which is mostly due to different donor requirements.

Assessment of experience with PME: Z+

Recommendation 5 (to SPERI): On a longer term, SPERI might consider adopting a PME manual that fulfils the requirements of key donors and apply it consistently across its entire programme.

V. Summary of Conclusions (Z-Capability)

1. Contact address: Z+
2. Legal situation: Z+ (Z- for non-profit orientation in the case of SPERI's liquidation)
3. Management structure and decision making structure: Z+
4. Work areas of the organization (relevance to BFTW): Z+

²³ As a reference to the methodology only – the system is designed for monitoring large programmes, not individual projects.

5. Financial sustainability of SPERI: Z+ mid-term/Z- long term (lack of clear business plan)
6. Accounting system: Z+
7. Human Resource Policies/Staffing: Z+
8. PME-System: Z+

Recommended overall assessment: Z+/conditional to clarification of non-profit orientation in the case of SPERI's liquidation (liquidation proceeds other than from assets provided by donors and land use rights provided by the government are transferred to similar organization or otherwise used in line with SPERI's current objectives).

VI. Summary of Recommendations

Recommendation 1 to the Founders of SPERI: In order to fully reflect its non-profit orientation, the Founders of SPERI might consider adding clear, specific provisions in its Charter on the use of surpluses (excluding the capital contribution) for specific "public benefits" in the event of liquidation.

Recommendation 2 to the Management of BFTW/SPERI: *Not as a pre-condition of Z-Capability*, BFTW might consider supporting SPERI in establishing a long-term business plan with the assistance of a specialist with experience in strategic planning for NPOs. The plan should in particular also look at additional personnel resources needed on how to successfully transform SPERI from an organization focusing on the implementation of donor-funded projects to a social enterprise.

Recommendation 3 to the Management of SPERI: *Not as a pre-condition of Z-Capability*, SPERI should consider developing a simple managerial accounting system that provides information on net funding it receives from each of the services it provides. This might require external support by a specialist.

Recommendation 4 to the Management of SPERI: *Not as a pre-condition of Z-Capability*, SPERI should consider registering internal staff regulations with DoLISA and establishing a trade union as required under Vietnamese law. Furthermore, SPERI should carefully check/adapt its internal regulations to the new Labour Code entering in force on May 1, 2013, where required.

Recommendation 5 to the Management of SPERI: *Not as a pre-condition of Z-Capability*, on a longer term, SPERI might consider adopting a PME manual that is in line with good PME practices and fulfills the requirements of key donors and apply it consistently across its entire programme.

Annex A - List of reference documents²⁴

1. Documents submitted to BFTW
 - 1.1 Draft organizational profile SPERI (according to template BFTW) dated 24 September 2012
2. Charter and official registration of SPERI
 - 2.1 Certificate of Science and Technology Registration (A-525), dated 5 June 2006 (English translation and Vietnamese original) dated 22 July 2011
 - 2.2 Charter (organizational and managerial guidelines) of SPERI dated 22 July 2011
3. General Information of SPERI
 - 3.1 Review of SPERI's Website on 25 February 2013
 - 3.2 Factsheet MECO-ECOTRA
 - 3.3 Organizational chart of SPERI
 - 3.4 SPERI General Information (*provided by SPERI, includes history, mission vision*)
 - 3.5 Detailed descriptions of different departments (in English) includes: Department of Community Development (DECODE), Department of Finance (DEF), Department of Foreign Cooperation (DEFO), Department of Lobby (DELOBBY), Department of Development Study (DES).
 - 3.6 Organizational chart
 - 3.7 SPERI's stakeholders
 - 3.8 Different brochures of SPERI
4. Sample of programmatic documents
 - 4.1 Civil Society Network Action towards Community Ownership of Forest, Land & REDD+: A Pilot Customary Law Based Programmatic Approach to Forest Land Allocation, MECO-ECOTRA, October 2011.
5. Sample of operational reports
 - 5.1 Annual Report, Enriching Customary Law in Forest Management and Land Use Planning, Phon Xa Vat and Den Xa Van villages, Luang Prabang, Laos, December 27, 2012
 - 5.2 Annual Report, Development of Mekong Community Network and Ecological Trading (MECO-ECOTRA), December 2011
 - 5.3 Annual Report, Development of Mekong Community Network and Ecological Trading (MECO-ECOTRA), January to December 2012 - *well written report, separates between outputs and outcome levels, reports against agreed results.*
 - 5.4 Final Report, A Regional Pilot for Sustainable Community Based Management of Natural Resources, SPERI, March 30, 2012
 - 5.5 Annual Report, Ensuring community rights to forestland and empowering indigenous minority youth leaderships, December 21, 2012
 - 5.6 Annual Report on NPA & SPERI Project in Si Ma Cai District, Lao Cai Province (FN05), April - December 2011. *Comment: this report uses a logical framework with activities, outcomes, indicators, and results (outcomes/impact). It also reports on beneficiaries.*
 - 5.7 Annual Report, Empowerment of ethnic minorities in Northern Laos by traditional Land Use Planning and Resource Management, Phonsavat and Densavang villages, Luang Prabang Laos, February 21, 2013.

²⁴All translations of Vietnamese original texts by Swiss Consulting

6. Sample of evaluation reports
 - 6.1 MECO-ECOTRA & SPERI'S Performance Evaluation Report, Phase 1997-2009, July 2009, by Dr. Doan Minh Huan, Head of Religion, Belief, and Peoples Department under the Ho Chi Minh Academy, Nguyen Cao Cuong - Editor-in-Chief of the Foreign Investment Review, and Cathrine Dolleris.
 - 6.2 Evaluation of the "Advanced Training Program on Ecological Farming Systems supported by the Bread for the World (BFDW) Ecumenical Scholarship Program (ESP) - Feedback on farmer training at the Human Ecology Practice Area (HEPA) under the Social Policy Research Institute (SPERI) by Mr. Cory W. Whitney, MSc. Sustainable International Agriculture/International Organic Agriculture, Independent Consultant, 2012. *Not on file.*
 - 6.3 MECO-ECOTRA-SPERI, Internal Mid-Term Evaluation Report, October 2007.
7. Audit reports
 - 7.1 Audited Consolidated Financial Statements for the fiscal year 2011, unqualified with the exception of (a) cash count (b) audit of fixed assets (c) consolidation of two project reports (cashB-LAO-0911-0003 and S-VNM-1005-0002-ESP audited by NEXIA APCA Co. Ltd., (d) transfer of land use rights in Soc Son Farm where taxes have not yet been paid (potential tax liability)
 - 7.2 Audited Consolidated Financial Statements for the fiscal year 2011, unqualified with the exception of SPERI's investment into "Calabash Restaurant" within its property in 5/535 Kim Ma Street (investment audit conducted by other auditing company) and transfer of land use rights in "Soc Son Model" (land use tax not yet paid).
 - 7.3 Audit Report NEXIA ACPA on project B-LAO 0911-0003 (year 2010) (see qualification above). *(Only copy of management letters on file)*
8. Legal documents relating to the use of assets in case of dissolution
 - 8.1 Official Letter No. 16706 of the Ministry of Finance providing further explanations on Circular Number 109/2007/TT-BTC (regarding use of assets SPERI received in the form of aid, in particular the property on Kim Ma Street - house might not be transferred to individual persons in case of dissolution of SPERI.
 - 8.2 Circular No. 109/2007/TT-BTC of the Ministry of Finance, guiding the management of assistance provided by International NGOs that are not relating to the State Budget.
9. Samples of financial reports relating to projects (not on file)

(Additional evidence that SPERI maintains detailed financial records on funds received in-trust)

 - 9.1 Financial Report, Norwegian People's Aid (NPA), Ensuring community rights to forestland and empowering indigenous minority youth leaderships, pilot Ta Lung Sui Village, Simacai District, Lao Cai and Pom Om Village, Que Phong District, Nghe An, January - December 2012
 - 9.2 Financial Report, Action Research Cooperation on MECO-ECOTRA in Lao Cai Province, April 1 - September 30, 2011
 - 9.3 Financial Report, Action Research Cooperation on MECO-ECOTRA in Lao Cai Province, October 1 - December 31, 2011
 - 9.4 Financial Report, Action research on ecological pilot in Long Lan Village, Luang Prabang, Laos, April 2011 - April 2012
 - 9.5 Financial Report, Project S-VNM-1005-0002-ESP, June 2010 - May 2010
 - 9.6 Financial Report, Project S-VNM-1005-002-ESP, June 2011 - June 2012
 - 9.7 Financial Report, Diakonie Katastrophenhilfe, Emergency Relief to overcome the flood disaster in 2010 in Huong Son District, Ha Tinh, November 201 - January 2011
 - 9.8 Financial Report, BLAO 0911-003, Jan 2010 - December 2010

- 9.9 Financial Report, BLAO 1011-006, Jan 2011 - December 2011
- 9.10 Financial Report Project VN 102011, applied research on MECO-ECPTRA, July 2008 - July 2009
- 9.11 Financial Report Project VN 102011, applied research on MECO-ECPTRA and bridging grant, July 2009 - June 2010
- 9.12 Sample of intermediate financial reports of the above-mentioned projects
- 9.13 Financial Report, Project Sustainable Community Development through Spirituality and Cultural Enrichment, August 2012 - December 2012.
- 9.14 Project supported by Interchurch Organization for Development Cooperation (ICCO), Financial Report, Project: SPERI 1008 - 1307 Program, July 2010 - July 2011.
- 9.15 Project supported by Interchurch Organization for Development Cooperation (ICCO), Financial Report, Project: SPERI 1008 - 1307 Program, August 2011 - December 2011.
- 10. Contractual documents and correspondence (not on file)
- 10.1 Miscellaneous evidence that SPERI maintains separate accounts for project funds received in-trust (emails, invoices)
- 10.2 Letter of ICCO to SPERI relating to the transfer of assets from assets by ICCO from TEW, CHESH and CIRD to SPERI, dated 24 October 2012 (on file).
- 10.3 Contract with ICCO & Kerk in Actie, Netherlands, 28. September 2012
- 10.4 Contract with UNDP on provision of research “Role of Customary Law in Ethnic Minority Community Development” under the Project “Strengthening the Capacity of the Vietnam Lawyers’ Associations”, 4 June 2010
- 10.5 Contracts with Ecumenical Scholarship Programme (ESP) on scholarships for Advanced Eco-Farm Training Course, 17 May 2010, 16 May 2012
- 10.6 Contract with Norwegian People Aid’s on implementation of the project “Ensuring community rights to forestland and empowering indigenous minority youth leaderships (...)”, 27 March 2012
- 10.7 Contract with Norwegian People Aid’s on implementation of the project “Action Research Cooperation on MECO-ECOTRA in Lao Cai Province, April 2011
- 10.8 Contracts with Catholic Committee against Hunger and for Development (CCFD) on “Action Research on Ecological Pilot in Long Lan Village, Luang Prabang, Laos”, 8 March 2011/17 July 2012.
- 10.9 Contract with Bread for the World on project “Empowerment of ethnic minorities in Northern Laos by traditional land use planning and resource management”
- 11. Sample of project budgets
- 11.1 Various example of project budgets
- 11.2 Samples of budgets according to regions (first half of 2013)
- 12. Internal Regulations
- 12.1 SPERI, Financial regulations (October 2010) - not on file
- 12.2 SPERI, Financial regulations, Second Amendment, Hanoi 2010 - not on file
- 12.3 SPERI, Organizational Guidelines, Hanoi 2007 (including: regulations on collaboration among the different departments, regulations for the Department for Community Development (DECODE), regulations for the Department for Research and Development (DES), Regulations for the Department for International Cooperation (DEFO), Regulations for the Administration Department (DAD), Regulations for the network of Project Officers for MECO-ECOTRA

- 13. Other documents
- 13.1 Sample of guidelines and reporting forms provided by Bread for the World and the Norwegian People's Aid (*comment: shows that reporting structure of SPERI is following a format given by partners, which seems sometimes also be used for those partners that do not have detailed guidelines in place*)
- 13.2 Sample of 8 decisions taken by the SPERI's Institute Board in 2013, mainly relating to the approval of budgets.
- 13.3 Decisions taken by the management Board
- 13.4 List of bank accounts (*evidences separate accounts for different partner organizations providing funding for projects*)
- 13.5 Long-term fund raising plan 2013 - 2016 and short-term and short-term plans for the years 2010 - 2012 (*includes only funding from project-related revenue sources, not core funding or revenues generated by SPERI's services or by renting SPERI's property at 5/535 Kim Ma Street*)
- 13.6 Salary lists for the years 2010 - 2013
- 13.7 Sample of expense request and expense voucher (*shows that a clear procedure for clearing expenditures is in place, which includes internal checks*).