

June 22, 2011

Mr. Vũ Hữu Cường
Deputy Director
Lào Cai Provincial Project Management Unit
Second Northern Mountain Poverty Reduction Project

Dear Mr. Cường,

***Subject: Cr. 4698 – VN: Second Northern Mountains Poverty Reduction Project
Quotation Evaluation Reports for Contracts MK/GT01; SP/TL01 and 01/DGT/VB -
Comments***

We refer to your letters dated June 6, 2011 submitting for our review the Quotations Evaluation Reports for the above captioned works contracts which are procured through Shopping procedures and subject to the Bank's Prior Review. The documents were received at the Bank's office on June 21, 2011.

We have reviewed the documents submitted and have the following comments:

We found that the bid prices for all these three contracts have a common pattern that they are very close to each other with a very little variance. In some particular instances, they are even almost the same. For instance, under Contract 01/DGT/VB, the bid price of Huy Hung Co. Ltd. is VND1,993,991,000 which is only very little different with the price of Ha Vu Co. Ltd. (VND1,993,352,655) for about VND640,000 (US\$30). This is really a worrying issue as in the past under the first NMPRP, we had detected collusion from many cases with such close price pattern. We further note that under this NMPRP-2, it has happened only in Lao Cai subprojects.

Given the above issue of concern, we would like to request the PMU/DPMUs to carry out a detailed investigation of all these contracts as well as others which have been done on the Bank's post review basis to see if there are any indicators of collusion or other fraudulent & corrupt practices involved (refer to paragraph 1.14 of the Procurement Guidelines). This investigation should not only focus on a detailed review of quotations submitted but also the entire procurement process. It should also identify any possible weaknesses or deficiencies of the existing procurement systems and practices and propose appropriate measures to address them. We will give our further advice on how to deal with these contracts upon receipt and review of your investigation report.

At the same time, we would like to ask CPO to pass these comments to all other five project provinces for their reference.

Sincerely,

A handwritten signature in black ink, reading "Võ Thành Sơn". The signature is written in a cursive style with a long, sweeping horizontal line extending to the right from the end of the name.

Võ Thành Sơn
Task Team Leader

Cc: Ms. Nguyễn Thị Minh Nghĩa, Deputy Project Director, NMPRP2 CPO