



**PROJECT
(US/VIE/03/083)**

PROGRESS REPORT

March 31, 2005

Market Access Support for Vietnam through the Strengthening of Capacities Related to Metrology, Testing and Conformity

**PROJECT EXECUTED BY
THE UNITED NATIONS INDUSTRIAL DEVELOPMENT
ORGANIZATION**

**PROJECT FUNDED BY
THE GOVERNMENT OF SWITZERLAND**

PROGRESS REPORT

Project Number:	USVIE03083
Project Title:	Market Access Support for Vietnam through the Strengthening of Capacities Related to Metrology, Testing and Conformity
Date:	March 31, 2005
Last Report (date):	-
Total UNIDO Budget:	USD 1,113,050 incl. support costs
Expected Completion Date:	30/06/06
Originally Expected Completion Date:	30/06/06
Objective(s) of the Project:	See below and the discussion of the project in the following

Development Objective Facilitate industrial development and export capabilities (and consequently spurring economic growth and employment opportunities) by reducing technical barriers to trade through the strengthening of standards, metrology, testing, quality and conformity assessment institutional structures and national capacities.

Immediate Objective 1 Upgrade the required technical infrastructure for metrology, microbiology and chemical testing and calibration needs in industry, system certification capacity and strengthen SMTQ institutional service capability.

Output 1.1 Upgraded metrology-testing facility having internationally accredited mass and temperature laboratories, leading to the provision of precise and recognized calibration services to the industry.

- 1.1.1 Prepare the framework for strengthening the Metrology laboratory, in light of the enhanced demand by the manufacturing sector for diverse calibration needs, precision manufacture and product quality assurance.
- 1.1.2 Identify the equipment requirements, physical facilities required and the spectrum of tests to be covered by the strengthened metrology laboratory.
- 1.1.3 Order laboratory equipment and install and test the equipment
- 1.1.4 Provide hands on training on equipment operation and calibration
- 1.1.5 Plan and organize study fellowships overseas for key national staff
- 1.1.6 Assist in the setting up of the Quality Management System in the Laboratory and comply with the ISO 17025 laboratory accreditation model.
- 1.1.7 Assist in obtaining international accreditation for the improved Metrology facility

Output 1.2 Upgraded textile/apparel, microbiology and chemical testing facilities. The facilities will provide testing services to exporters in the fisheries, food-processing and garments sectors and also undertake complex testing for trace elements and environmental process compliance.

- 1.2.1 Prepare the framework for strengthening the microbiology and chemical testing laboratories, in light of the enhanced demand by the export sector for agro and processed food exports and meeting environmental and food safety test requirements.
- 1.2.2 Identify the equipment requirements, physical facilities required and the spectrum of tests to be covered by the strengthened textile/apparel, microbiology and chemical testing laboratories.
- 1.2.3 Order laboratory equipment and install and test the equipment.
- 1.2.4 Provide hands on training on equipment operation and calibration
- 1.2.5 Plan and organize study fellowships overseas for key national staff
- 1.2.6 Assist in the improvement of the Quality Management System in the laboratories to comply with the ISO 17025 laboratory accreditation model. (including INEST labs)
- 1.2.7 Assist in obtaining international accreditation for the improved microbiology, chemical, food and textile/garment testing facilities. (including INEST labs)

Output 1.3 Strengthened pool of national trainers capable of providing training to auditors and consultants in the area of ISO 9000, ISO 14000, HACCP, SA 8000, OHASS 18000 and GMP.

- 1.3.1 Identify training capacity gaps in the country relating to ISO 9000, ISO 14000, HACCP and SA 8000. Map the demand for such training for the industrial sector.
- 1.3.2 Select suitable trainers to be supported under the project.
- 1.3.3 Design and launch a "training of trainer" programs for ISO 9000, ISO 14000, HACCP, SA 8000, OHASS 18000 and GMP.
- 1.3.4 Develop STAMEQ training courses and related training material and manuals and obtain IRCA approval.

Output 1.4 Improved capabilities of the accreditation services provided by STAMEQ.

- 1.4.1 Study the organisational structure and performance basis of the accreditation bureau to enhance its independence and international recognition.
- 1.4.2 Survey Vietnam's export markets to determine the most beneficial MRAs that need to be established.
- 1.4.3 Identify and provide local and overseas training for BOA (Bureau of Accreditation) assessors
- 1.4.4 Develop operational plans, take off strategy and marketing assistance for the improved accreditation facility.

Output 1.5	Enhanced corporate governance and service capability of STAMEQ, enabling the provision of support services to the growing private sector driven industrial sector and exporters.
1.5.1	Assess the present objectives, sphere of operation and institutional capacities of STAMEQ with a view to rationalizing and restructuring the institution objectives and operational strategy.
1.5.2	Prepare corporate plans, financial business plans and marketing plans for the institute, with a view to enhancing service efficiency and corporate governance.
1.5.3	Provide training, fellowships and hands on assistance to implement the new business plan.
1.5.4	Prepare publicity material and publicize the services available.

1. Activities conducted during the period covered by this report:

- 1.1.1 x A thorough assessment was conducted in July-August 2004 of the STAMEQ metrology laboratories – Quatest I, II and III, as well as Vietnam Metrology Institute. The UNIDO metrology expert provides results of the identified gaps and suggestions for a sustainable framework for the labs in his reports. The reports of mission I in July-August 2004 (Metrology 1) and mission II in November – December 2004 (Metrology 2) are enclosed.
- 1.1.2 x Based on the assessment in 1.1.1 above, equipment needs, the conditions in the labs as well as the spectrum of tests were identified. Human resource requirements were also evaluated for each of the labs in question. For more information refer to METROLOGY 1 and METROLOGY 2.
- 1.1.3 The identified equipment in METROLOGY 1 for Quatest II, III and VMI was ordered in October 2004. The purchasing process for this equipment is completed. Expected shipment in March-May 2005. Installation and training to be conducted in May-August 2005 depending on arrival of the equipment. Please refer to section 3 below on information about equipment needs for QUATEST 1.
- 1.1.4
- 1.1.5 Study tours resulting from assessment of the human resource development requirements as identified in METROLOGY 1 are in progress. Please refer to section 3 below for further information on this issue. Estimated completion October 2005
- 1.1.6 Assistance in obtaining international accreditation for QUATEST 3 and VMI in mass and temperature was agreed on amongst the labs. Equipment gaps in these labs in order to comply with ISO 17025 were identified during METROLOGY 2. The metrology expert's third mission to Vietnam in April-May 2005 will cover initial assistance needed in order to comply with the system side of the standard. The process takes time and missions will be undertaken as needed throughout the project life to ensure final compliance with the standard. Estimated completion is June 2006.
- 1.1.7
- 1.2.1 x The UNIDO chemical expert on the project visited the textile lab of QUATEST 1 and the fishery lab of Nafiqved 1 in November 2004. Visits to the textile lab in Hanoi and NAFIQAVED 1 in Hai Phong were conducted and assessed in the period. Results of the identified gaps and suggestions for a sustainable framework for these labs are provided in his first mission report of November 2004 (CHEMICAL TESTING 1). The report is enclosed. Please refer to section 3 below for more information on selection of the labs.

The UNIDO microbiology expert visited and assessed Q I-III during the period of September-October 2004. Results of the identified gaps and recommendations for a sustainable framework for these labs are provided in the enclosed expert's report of October 2004 (MICROBIOLOGY TESTING 1). Of the three labs, QUATEST 1 and QUATEST 3 were selected to obtain assistance in meeting ISO 17025 lab

accreditation requirements. Q II is not in a position to influence the identified export sectors at this point and will not receive support under this project. Please refer to section 3 below for more information on selection of the labs.

- 1.2.2 x The condition of the textile and fishery labs, their equipment base and spectrum of tests were evaluated during the chemical testing expert's first mission. Human resource development requirements were also identified for these labs. For more information refer to CHEMICAL TESTING 1.

The condition of the QUATEST 1 and III labs, their equipment base and spectrum of tests were evaluated during the first mission of the microbiology expert. Human resource development requirements were also identified for these labs. For more information refer to MICROBIOLOGY TESTING 1.

- 1.2.3 Laboratory equipment as envisaged by the expert for the textile lab was requisitioned in January 2005.
1.2.4 The purchasing process is ongoing and equipment is expected to arrive in Vietnam in July 2005. NAFIQAVED 1 is generally in up to par with international accreditation requirements and some minimal equipment required will be procured during late May 2005. Installation and training to be provided by the expert when the equipment is in place. Estimated completion for the output in October 2005.

The discrepancies identified for microbiology laboratory equipment in QUATEST 1 and QUATEST 3 were requisitioned in January 2005. The procurement process is ongoing and equipment is expected to arrive in Vietnam in May-June 2005. . Installation and training to be provided by the expert when the equipment is in place. Estimated completion for the output in July-August 2005.

- 1.2.5 Study tours resulting from the human resource development requirements as identified in CHEMICAL TESTING 1 are in progress. Estimated completion is October 2005.

Study tours resulting from the human resource development requirements as identified in MICROBIOLOGY TESTING 1 are in progress. Estimated completion in September 2005.

- 1.2.6 Assistance in obtaining international accreditation of the textile lab and NAFIQAVED 1 was initiated during
1.2.7 CHEMICAL TESTING 1. The chemical expert's second mission to Vietnam in July-August 2005 will cover follow-up assistance needed in order to comply with the system side of the standard. The accreditation process takes time and missions will be undertaken as needed throughout the project life to ensure final compliance with the standard. Estimated completion is June 2006.

Assistance in obtaining international accreditation in the microbiology sections of the QUATEST 1 and QUATEST 3 labs were initiated under MICROBIOLOGY TESTING 1. The microbiology expert's next mission in July-August 2005 will cover follow-up assistance needed in order to comply with the system side of the standard, as well as ensure proper installation and training on the equipment. As with the accreditation process described for metrology and chemistry, it is time consuming. Missions to ensure proper compliance with the standard will be undertaken during the project life. Estimated completion in June 2006.

- 1.3.1 Gaps and needs in the provision of training of trainers in ISO 9001:2000, ISO 14001 and HACCP have been identified. Please refer to our National Project Coordinator (NCP)'s report of March 2005 (National Project Coordinator 1). The same activity for SA 8000, OSHAS 18001 and GMP is under development. Expected completion is June 2005.

- 1.3.2 Eight –8- trainers to be supported under the project have been identified for ISO 9001 and ISO 14001, and twelve –12- for HACCP. The selection process is completed.

- 1.3.3 The selection process for a suitable training organization is in process. It is envisaged that the training will take place late April/beginning of May 2005. Estimated completion is June 2005.

- 1.3.4 This component is in progress. Estimated completion is September 2005.

- 1.4.1 x The STAMEQ organizational structure was analyzed and scrutinized with particular emphasis on the Board of Accreditation (BOA) by the UNIDO expert in accreditation in May 2004. The results of this evaluation are found in his attached report ACCREDITATION 1.
- 1.4.2 x A variety of accreditation structures were evaluated and compared with the current Vietnamese structure. The result of this analysis is to let the current system remain, but with an enhanced National Accreditation Council to supervise the body within STAMEQ. For more information please refer to ACCREDITATION 1 and the expert's second mission report (ACCREDITATION 2), as well as in section 3b below.
- 1.4.3 Study tours and candidates have been identified. Study tours to be undertaken in June 2005.
- 1.4.4 This component commenced with ACCREDITATION 1 and is ongoing. Expected completion Spring 2006.
- 1.5.1 x The accreditation expert conducted the initial assessment of STAMEQ in May 2004. The structure was further reevaluated in November 2004 after the Vietnamese government had issued a national decree on the purpose and scope of STAMEQ during Summer 2004. The results of the assessments are to be found in ACCREDITATION 1 and ACCREDITATION 2.
- 1.5.2 This component was initiated with the accreditation expert's second mission and is ongoing. For more information please refer to ACCREDITATION 2 and to the work plan below on this output that was duly signed by the STAMEQ head and UNIDO in July 2003. The expert is undertaking a third mission in April 2005 to continue the assessments. Additional missions are anticipated.
- 1.5.3 Initiation based on completion of 1.5.2
- 1.5.4 Initiation based on completion of 1.5.2

2. **Project Strategy**

The project strategy is linked to the export growth of Vietnam and in particular the negotiations on joining the WTO in 2006. The WTO membership and global trade integration relies on country capacity to comply with the TBT/SPS agreements. This in turn requires upgrading of the standards, metrology, testing and conformity infrastructure in the country. The project is targeting the capacity development particularly in the areas of ISO 9001, ISO 14001, HACCP, Metrology and testing.

It is a natural extension to the upstream work involving policy development, needs assessment and awareness creation, carried out under the UNIDO/NORAD regional program covering Cambodia, Lao PDR and Vietnam. Also, the project goes in tandem with the UNIDO Integrated Program 2003-2005 "Assistance to National and Provincial SME support Infrastructure" and is synergetic with the other technical assistance projects previously and concurrently undertaken in Vietnam. See attached listing.

In order to achieve the WTO TBT/SPS compliance, the project will also address issues related to sustainability. It is essential that the supported institutions are market oriented and managed as service delivery institutions. Towards this end, the project provides interventions to enhance corporate governance and market orientation of the services.

- a) Upgrade the physical infrastructure and human capacity in STAMEQ's metrology, textile, chemical and microbiology testing laboratories. Verify this capacity by assisting in obtaining international accreditation for these laboratories
- b) Increase the certification capabilities in the country by developing an in-house training of trainers program to provide lead-auditor courses in ISO 9001:2000, ISO 14001, HACCP, SA 8000, OSHAS 18001 and GMP nationwide.

- c) Strengthen the Board of Accreditation (BOA) to ensure that the body is run independently and in accordance with international practice. Support the criteria for international recognition of the BOA by reinforcing the human resource capacities through training and identify the ideal market mechanisms to obtain the optimal Mutual Recognition Agreement (MRA).
- d) Assist in the preparation of operationalizing STAMEQ as an independent entity with high provision of service and efficiency. This includes assisting with the development of corporate, financial business and marketing plans, as well as human resource strengthening in these areas.

3. Major achievements and main problems encountered (if implementation has been delayed reasons for the delay should be given):

- a) The project is progressing well and is on schedule.
- b) There are some issues – both positive and less positive, facing the project at this stage:
 - Vietnam has become a major exporter in a short period of time. In order to ensure that the country growing export industry be supported, additional laboratory accreditations are required. This would demand a larger equipment base and additional donor funds.
 - There is also a need for extended over-seas training of the staff in the labs that will be prepared for accreditation..
 - NII-IV are generally well covered in the area of microbiology due to a previous Danida project. Concentration of resources for this project was thus on the newly designated regional testing lab for ASEAN in Quatest III, as well as the microbiology section of Quatest I.
 - There are synergetic cost effects from running the training of trainers course at this time as it coincides with the lead-auditor training in HACCP being held on the Regional Mekong project funded by NORAD.
 - There was an issue on how to formulate the position of the BOA, which is currently under STAMEQ. To ensure proper separation to avoid undue influence it would be advisable to have BOA or the Commercial Labs/Certification bodies separated from STAMEQ. BOA, however, will not be able to sustain itself at this point outside of STAMEQ due to the current regulation of STAMEQ's role in Vietnam and STAMEQ's internal acceptance of other departments providing accreditation in addition to BOA. Discussions on the possibility of separating the Commercial Labs/Certification bodies from STAMEQ are continuing.

The BOA is recommended to stay under the STAMEQ umbrella with a revitalization of the National Accreditation Council to have direct influence over the BOA and consisting of independent non-STAMEQ representatives on the board. This is also under negotiation.

- The Vietnamese Government signed an agreement with UNIDO relating to corporate governance related issues. This agreement (in the form of a work plan) is included with the project document of April 2004 and an update on this work plan is enclosed below. The work has commenced to this effect. However, having emerged from a centrally planned economy and transforming to a market oriented one, we are experiencing the natural resistance to change. As such, the implementation of this area is slower than we initially planned. We are confident that the economic transformation and the growing private sector orientation would assist us in implementing the agreement fully.

4. Areas to be addressed during this year (including possible measures for improvement vis-a-vis problems encountered):

The project is en-route. We foresee no major problems in implementation at this point other than those already identified and accounted for. The project should be completed on time with the current progress.

5. Financial situation of the project:

There are no foreseeable changes to the costing structure per today. However, it may become necessary to secure additional funding for metrology equipment and training.

The Financial statement on the project is enclosed.

**Market Access Support for Vietnam, Through the Strengthening of Capacities Related to Metrology, Testing and Conformity Assessment
(A Swiss Government Funded Project implemented by UNIDO)**

WORK PLAN FOR OUTPUT 5

	ACTIVITY	RESPONSIBILITY	TARGET DATE	OUTPUT/INDICATOR	PROGRESS
1	Commitment from STAMEQ to implement output 5	STAMEQ CEO	Immediate	Signed letter / Project Document	Completed in April 2004
2	Assess STAMEQ legal status, institutional objectives, organisational structure, funding and budgets.	Corporate Planning Consultant STAMEQ Management	+ 1.0 months	Report defining present scope	Mainly completed in May 2004. However, corporate objectives and the financial situation needs mapping.
3	Appoint a counterpart team from STAMEQ to work with the UNIDO consultants, in undertaking the institutional analysis.	STAMEQ CEO	+ 1.0 months	Counterpart Team appointed. Tasks assigned	Will be conducted in May-June 2005
4	Assess the service demand in the country for standards, metrology, testing, certification and accreditation.	Corporate Planning Consultant Counterpart Team	+ 2.0 months	Report defining service demand	Will be conducted in May-June 2005
5	Assess the present activities and service delivery of STAMEQ, in relation to the service demand and efficiency of service delivery.	Corporate Planning Consultant Counterpart Team	+ 2.0 Months	Report- present performance	The focus to date has been on BOA and VMI. Attention has also been paid to QUATEST and legal metrology. Additional mapping and suggestive structures remain.
6	Prepare framework for enhancing corporate governance and service capability of STAMEQ.	Corporate Planning Consultant Counterpart Team	+ 5.0 months	Report- Restructuring framework	The arguments for change have been articulated and some proposals made. The options are on the table. This component will be further elaborated on in May-June 2005
7	Discuss the restructuring framework with STAMEQ, and finalise framework.	Corporate Planning Consultant Counterpart Team, STAMEQ	+ 5.0 months	Agreement on Restructuring	Some discussions have been held but not agreed by STAMEQ at this stage. This component will also be further elaborated on in June 2005
8	Prepare detailed costing of services and the identification of resource needs for various service functions.	Corporate Planning Consultant Counterpart Team	+ 6.0 months	Report- Redefined Resource needs	This component to be completed after the assessments and agreements on structure based on the activities above. Estimated completion January 2006
9	Prepare a restructuring plan, marketing plan, and a financial business plan.	Corporate Planning Consultant Counterpart Team	+ 6.0 months	Report- Restructuring framework	Some progress with BOA on its needs. STAMEQ as a whole remains. Estimated completion February 2006.
10	Redefine the corporate objectives and the organisation structure.	Corporate Planning Consultant STAMEQ Management	+ 6.0 months	Re-organisation	Estimated completion March 2006

11	Provide fellowships and training to selected senior staff.	Corporate Planning Consultant	+ 7.0 months	Training	Proposals have been made for BOA and details need to be finalised. Same for STAMEQ when the corporate objectives and the org structure has been agreed on. Estimated completion May 2006
12	Implement the restructuring plan	STAMEQ Management Counterpart Team	+ 8.0 months	Implementation	Estimated completion April 2006
13	Prepare brochures and publicity material to support the new corporate objectives and service delivery.	Corporate Planning Consultant Counterpart Team	+ 9.0 months	Marketing documents	Estimated completion May-June 2006

Donor	Project/Programme	Component	Status (start– end date)	Funds (total)
Technical Assistance related to QSM in Vietnam				
ADB	SME Development Programme Loan (SDPL)	The objective is to support reform measures for: (iii) facilitating SMEs' access to domestic and international markets through improving the industrial and technical standards	The loan approval date is October 21, 2004. TA team expected to be fielded by mid March 2005.	US\$ 1.4 mil.
AFD (co-funded by KfW and ADB)	Fund to strengthen trade capacity (PRCC)	TA will be aimed at assisting STAMEQ, as a component of the TA program in support to the implementation of the SMEDP	The TA -to be funded by the Fund to Strengthen Export Capacities, established according to the Agreement signed between the Government of the SRV and AFD in February 26th, 2004- is currently in the phase of approval by the PM.	Euro 1.5 mil.
GTZ	SME promotion Programme	Component 4 " Material testing and other advanced/specialized technical services"	The SME promotion Programme is under appraisal.	Euro 8.3 mil.
EU	Multilateral Trade Policy Assistance Programme- MUTRAP (Phase II)	WTO Accession and TBT/SPS Matters: Multilateral Issues of Negotiation and the Establishment of Vietnam's Enquiry Points and Notification Authorities	Approved January 2005	Euro 5.35 mil.
EU	European Technical Assistance Programme for Vietnam (ETV2)	Component 6, concerned with quality assurance, control and standardization	Signed in 2002	Euro 11 mil.
EU (EC Delegation in Indonesia)	EC-ASEAN Standards, Quality and Conformity Assesment Co-operation Programme (regional project)			
DANIDA	Business Sector Programme Support (BSPS)	Component III: Business services for global competitiveness	Five-year programme Estimated starting date: January 2005	DKK 1958 mil. (US\$ 29.5 mil.)